

AMENDED IN SENATE APRIL 10, 2014

SENATE BILL

No. 1220

Introduced by Senator Torres

February 20, 2014

An act to amend Sections 22109.5, ~~22119.5~~, 22119.3, 22121, 22131, 22134, 22134.5, 22135, 22136, ~~22146.2~~, 22516, 22655, 22662, 22663, 22664, 22801, 22826, 22828, 22905, ~~22909~~, 23104, 24001, 24101, 24105, 24107, 24201.5, 24203.5, 24203.6, 24204, 24205, 24210, 24211, 24212, 24213, 24214.5, 24300, 24300.1, 24307, 24309, ~~24310~~, 24402, 24412, 24415, 24600, 25015, ~~25100~~, 26113, 26803, 27201, and 33050 of, to amend and renumber Sections 22106.2, 24300.2, 24300.5, 24300.6, 24301, 24302, 24303, 24304, 24305, 24305.5, 24306, 24306.5, 24306.7, 24308, 24311, 24312, 24312.1, and 24313 of, to amend, renumber, and add Section 22106.1 of, to amend and repeal Section 22119.5 of, to amend, renumber, and repeal Section 24305.3 of, and to add ~~Section~~ *Sections 24347 and 24348* to, the Education Code, and to amend Section 1 of Chapter 559 of the Statutes of 2013, relating to state teachers' retirement.

LEGISLATIVE COUNSEL'S DIGEST

SB 1220, as amended, Torres. State teachers' retirement.

Existing law, the Teachers' Retirement Law, establishes the State Teachers' Retirement System (STRS) and creates the Defined Benefit Program of the State Teachers' Retirement Plan, which provides a defined benefit to members of the program, based on final compensation, credited service, and age at retirement, subject to certain variations. STRS is administered by the Teachers' Retirement Board. Existing law establishes the Supplemental Benefit Maintenance Account, among other provisions, for the purpose of restoring the purchasing power of

allowances. Existing law establishes the Defined Benefit Supplement Program to provide additional benefits to members of the Defined Benefit Program. Existing law establishes the Cash Balance Benefit Program, administered by the Teachers' Retirement Board, as a separate benefit program within the State Teachers' Retirement Plan in order to provide a retirement plan for persons employed to perform creditable service for less than 50% of full-time service. Existing law permits a member of STRS to purchase service credit in certain instances and permits a person who has withdrawn membership in STRS to become a member again upon redeposit of contributions plus interest, as specified. Existing law permits a member of STRS to select among various options for the payment of benefits after the retired member dies, provides certain presumptions in this regard, and permits a member to revise a beneficiary designation pursuant to specific requirements and limitations. The *California Public Employees' Pension Reform Act of 2013 (PEPRA)* requires a public retirement system, as defined, to modify its plan or plans to comply with the act and, among other things, sets limits on the amount of compensation that may be used to calculate benefits.

This bill would amend the Teachers' Retirement Law to provide a definition of base allowance for the purpose of determining specified supplemental benefits and revise the definition of a break in service to account for certain times not recognized as part of the school year. The bill would revise the definition of credited service to account for members whose contributions have been reduced because of PEPRA ~~and~~. *The bill would revise the definition of final compensation to account for the calculation of service based on months rather than years and require an employer to make a certification if a member's salary was reduced because of reduction in school funds. The bill would make prescribe requirements for a joint powers authority in order for that authority to act as employer providing creditable service subject to the Defined Benefit Program of the State Teachers' Retirement Plan.*

The bill would make conforming changes in how member contributions are credited to reflect reductions applied when payments are determined to have been paid to enhance a member's benefits. The bill would make various technical changes regarding disability allowances, disability retirements, and service retirements following disability retirements. The bill would revise and reorganize provisions relating to a member's right to elect among various options to provide an actuarially modified retirement allowance payable during the life of

the member and the member's chosen beneficiary or beneficiaries, particularly with regard to the election of a new beneficiary after the member's retirement when the previous beneficiary has predeceased the member. The bill would grant a member who had retired and elected a specified option *certain options* and designated his or her same-sex spouse as the option beneficiary the right to elect to change his or her option subject to specified requirements. The bill would make numerous technical and conforming changes.

Existing law requires the Teachers' Retirement Board to establish a vendor registration process through which information about tax-deferred retirement investment products are made available for consideration by specified public employees, including those employed by local school districts and community college districts. Existing law defines vendor for this purpose.

This bill would revise the definition of vendor to mean any organization qualified to do business in California that offers a 403(b) product.

Existing law permits a governing board of a school district or a county board of education to request the State Board of Education waive provisions of the Education Code, but excepts from that authorization specified provisions, including provisions of the Teachers' Retirement Law relating to STRS.

This bill would also except from this authorization provisions of the Teachers' Retirement Law relating to the health care benefits program and the cash benefit program.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 22106.1 of the Education Code is
- 2 amended and renumbered to read:
- 3 22106.2. "Base days" means the number of days of creditable
- 4 service required to earn one year of service credit.
- 5 SEC. 2. Section 22106.1 is added to the Education Code, to
- 6 read:
- 7 22106.1. For the purposes of determining supplemental benefits
- 8 pursuant to Sections 24412 and 24415, "base allowance" means
- 9 a member's monthly allowance under the Defined Benefit Program

1 prior to all allowance increases by this part and after modification
2 for an option, if applicable.

3 SEC. 3. Section 22106.2 of the Education Code is amended
4 and renumbered to read:

5 22106.3. “Base hours” means the number of hours of creditable
6 service required to earn one year of service credit.

7 SEC. 4. Section 22109.5 of the Education Code is amended to
8 read:

9 22109.5. “Break in service,” for purposes of determining a
10 member’s final compensation, means:

11 (a) With respect to service of a member employed as a full-time
12 employee and service performed by a member employed as a
13 part-time employee, any period of time covering a pay period
14 during which a member is on an unpaid leave of absence or a pay
15 period in which a member has not performed any creditable service.

16 (b) For a member who has been employed in a substitute
17 position:

18 (1) And has a change in assignment during a school year to a
19 full-time or part-time position, a break in service is determined on
20 the same basis as for the full-time or part-time employment during
21 the same school year.

22 (2) For less than 50 percent of their teaching career for which
23 service is credited, a break in service is determined on the same
24 basis as full-time employment.

25 (3) For more than 50 percent of their teaching career for which
26 service is credited, a break in service is any period of time within
27 a school year for which compensation is not paid and service is
28 not credited.

29 (c) If a member commenced performing service at the beginning
30 of a school term, the months not recognized as part of the school
31 term are not a break in service; however, if the member commenced
32 performing service after the school term began, or did not complete
33 the school term, the months not recognized as part of the school
34 term are a break in service. The school term shall be no less than
35 the days or hours specified as full time in Section 22138.5.

36 (d) Earnable salaries for a full pay period, but not beyond the
37 effective date of retirement, shall be used in determining final
38 compensation when the member performed service within that pay
39 period.

1 SEC. 5. Section 22119.3 of the Education Code is amended to
2 read:

3 22119.3. (a) “Creditable compensation” for members who are
4 subject to the California Public Employees’ Pension Reform Act
5 of 2013 means remuneration that is paid each pay period in which
6 creditable service is performed for that position. Creditable
7 compensation shall be paid in cash by an employer to all persons
8 in the same class of employees in accordance with a publicly
9 available written contractual agreement, including, but not limited
10 to, a salary schedule or employment agreement. Creditable
11 compensation shall include:

12 (1) Remuneration that is paid for the use of sick leave, vacation,
13 and other employer-approved leave, except as provided in
14 paragraph (4) of subdivision (b).

15 (2) Member contributions that are picked up by an employer
16 pursuant to Section 22903 or 22904.

17 (3) Amounts that are deducted from a member’s remuneration,
18 including, but not limited to, deductions for participation in a
19 deferred compensation plan; deductions to purchase an annuity
20 contract, tax-deferred retirement plan, or insurance program; and
21 contributions to a plan that meets the requirements of Section 125,
22 401(a), 401(k), 403(b), 457(b), or 457(f) of Title 26 of the United
23 States Code.

24 (4) Notwithstanding paragraphs (6) and (8) of subdivision (c)
25 of Section 7522.34 of the Government Code, remuneration that is
26 paid for creditable service that exceeds one year in a school year.

27 (b) “Creditable compensation” does not mean and shall not
28 include:

29 (1) Remuneration that is not paid in cash or is not paid to all
30 persons who are in the same class of employees.

31 (2) Remuneration that is paid for service that is not creditable
32 service pursuant to Section 22119.5.

33 (3) Remuneration that is not paid each pay period in which
34 creditable service is performed for that position.

35 (4) Remuneration that is paid in exchange for the relinquishment
36 of unused accumulated leave.

37 (5) Payments, including, but not limited to, those for
38 participation in a deferred compensation plan; to purchase an
39 annuity contract, tax-deferred retirement plan, or insurance
40 program; and for contributions to a plan that meets the requirements

1 of Section 125, 401(a), 401(k), 403(b), 457(b), or 457(f) of Title
2 26 of the United States Code when the cost is covered by an
3 employer.

4 (6) Fringe benefits provided by an employer.

5 (7) Expenses paid or reimbursed by an employer.

6 (8) Severance pay, including lump sum and installment
7 payments, or money paid in excess of salary or wages to a member
8 as compensatory damages or as a compromise settlement.

9 (9) Creditable compensation determined by the system to have
10 been paid to enhance a member's benefit.

11 (10) Compensation paid to the member in lieu of benefits
12 provided to the member by the employer or paid directly by the
13 employer to a third party other than the system for the benefit of
14 the member.

15 (11) Any one-time or ad hoc payments made to a member.

16 (12) Any employer-provided allowance, reimbursement, or
17 payment, including, but not limited to, one made for housing,
18 vehicle, or uniform.

19 (13) Any bonus paid in addition to compensation described in
20 subdivision (a).

21 (14) Any other payments the board determines not to be
22 "creditable compensation."

23 (c) (1) Except for purposes of calculating credited service in
24 the Defined Benefit Program and for reporting compensation
25 earnable on or after January 1, 2013, creditable compensation in
26 any fiscal year shall not exceed:

27 (A) One hundred twenty percent of the "contribution and benefit
28 base," as determined under Section 430(b) of the Social Security
29 Act (42 U.S.C. Sec. 430(b)), on January 1, 2013, for a member
30 whose service is not included in the federal system.

31 (B) One hundred percent of the "contribution and benefit base,"
32 as determined under Section 430(b) of the Social Security Act (42
33 U.S.C. Sec. 430(b)), on January 1, 2013, for a member whose
34 service is included in the federal system pursuant to any changes
35 in state or federal law enacted on or after January 1, 2013.

36 (2) The system shall adjust the limit in paragraph (1) based on
37 the annual changes to the Consumer Price Index for All Urban
38 Consumers: U.S. City Average, calculated by dividing the
39 Consumer Price Index for All Urban Consumers: U.S. City
40 Average for the month of February in the fiscal year preceding the

1 adjustment by the Consumer Price Index for All Urban Consumers:
2 U.S. City Average for the month of February of the previous year
3 rounded to the nearest thousandth. Notwithstanding paragraph (1)
4 of subdivision (d) of Section 7522.10 of the Government Code,
5 the adjustment shall be effective annually on July 1, beginning
6 July 1, 2014.

7 (3) The Legislature reserves the right to modify the requirements
8 of this subdivision with regard to all members subject to this
9 subdivision, except that the Legislature may not modify these
10 provisions in a manner that would result in a decrease in benefits
11 accrued prior to the effective date of the modification.

12 (4) This subdivision shall apply to compensation paid during
13 the 2013–14 fiscal year and each fiscal year thereafter.

14 (d) An employer or individual who knowingly or willfully
15 reports compensation in a manner inconsistent with subdivision
16 (a) or (b) may be subject to prosecution for fraud, theft, or
17 embezzlement in accordance with the Penal Code. The system
18 may establish procedures to ensure that compensation reported by
19 an employer is in compliance with this section.

20 (e) For purposes of this section, remuneration shall be considered
21 paid if distributed to any person in the same class of employees
22 who meets the qualifications or requirements specified in a publicly
23 available written contractual agreement, including, but not limited
24 to, a collective bargaining agreement or an employment agreement,
25 as a condition of receiving the remuneration.

26 (f) This definition of “creditable compensation” reflects sound
27 principles that support the integrity of the retirement fund. Those
28 principles include, but are not limited to, consistent treatment of
29 compensation throughout a member’s career, consistent treatment
30 of compensation among an entire class of employees, consistent
31 treatment of compensation for the position, preventing adverse
32 selection, and excluding from creditable compensation
33 remuneration that is paid to enhance a member’s benefits. The
34 system shall determine the appropriate crediting of contributions
35 according to these principles, to the extent not otherwise specified
36 pursuant to this part. A presumption by the system that creditable
37 compensation was paid to enhance the member’s benefits may be
38 rebutted by the member or by the employer on behalf of the
39 member. Upon receipt of sufficient evidence to the contrary, a

1 presumption by the system that creditable compensation was paid
2 to enhance the member's benefits may be reversed.

3 SEC. 6. Section 22119.5 of the Education Code, as amended
4 by Section 1 of Chapter 375 of the Statutes of 2002, is amended
5 to read:

6 22119.5. (a) "Creditable service" means any of the following
7 activities performed for an employer in a position requiring a
8 credential, certificate, or permit pursuant to this code, or under the
9 appropriate minimum standards adopted by the Board of Governors
10 of the California Community Colleges, or under the provisions of
11 an approved charter for the operation of a charter school for which
12 the charter school is eligible to receive state apportionment, or
13 pursuant to a contract between a community college district and
14 the United States Department of Defense to provide vocational
15 training:

16 (1) The work of teachers, instructors, district interns, and
17 academic employees employed in the instructional program for
18 pupils, including special programs such as adult education, regional
19 occupation programs, child care centers, and prekindergarten
20 programs pursuant to Section 22161.

21 (2) Education or vocational counseling, guidance, and placement
22 services.

23 (3) The work of directors, coordinators, and assistant
24 administrators who plan courses of study to be used in California
25 public schools, or research connected with the evaluation or
26 efficiency of the instructional program.

27 (4) The selection, collection, preparation, classification,
28 demonstration, or evaluation of instructional materials of any
29 course of study for use in the development of the instructional
30 program in California public schools, or other services related to
31 school curriculum.

32 (5) The examination, selection, in-service training, or assignment
33 of teachers, principals, or other similar personnel involved in the
34 instructional program.

35 (6) School activities related to, and an outgrowth of, the
36 instructional and guidance program of the school when performed
37 in addition to other activities described in this section.

38 (7) The work of nurses, physicians, speech therapists,
39 psychologists, audiometrists, audiologists, and other school health
40 professionals.

(8) Services as a school librarian.

(9) The work of employees who are responsible for the supervision of persons or administration of the duties described in this section.

(b) “Creditable service” also means the work of superintendents of California public schools.

(c) The board shall have final authority for determining creditable service to cover any activities not already specified.

SEC. 7. Section 22119.5 of the Education Code, as added by Section 1 of Chapter 394 of the Statutes of 1995, is repealed.

SEC. 8. Section 22121 of the Education Code is amended to read:

22121. (a) “Credited service” means service for which the required contributions have been paid.

(b) “Credited service” for members who are subject to the California Public Employees’ Pension Reform Act of 2013 means service for which required contributions have been paid and service for which required contributions would have been paid in absence of the limit established by subdivision (c) of Section 22119.3.

(c) “Credited service” for the limited purpose of determining eligibility for benefits pursuant to Section 22134.5, 24203.5, or 24203.6 also includes up to two-tenths of one year of service granted pursuant to Section 22717.

SEC. 9. Section 22131 of the Education Code is amended to read:

22131. (a) (1) “Employer” or “employing agency” means the state or any agency or political subdivision ~~thereof thereof,~~ including, but not limited to, a joint powers authority, for which creditable service subject to coverage by the plan is performed. ~~In the case of a joint powers authority, all entities included in the authority shall be entities at which creditable service subject to coverage by the plan is performed and each entity shall report through the same county office of education.~~

(2) *In the case of a joint powers authority, all of the following criteria shall be met:*

(A) *The joint powers authority shall be formed pursuant to the Joint Exercise of Powers Act (Chapter 5 (commencing with Section 6500) of Division 7 of Title 1 of the Government Code).*

1 (B) All entities included in the joint powers authority shall be
2 entities at which creditable service subject to coverage by the plan
3 is performed.

4 (C) The joint powers authority shall report through a single
5 county office of education, with that county superintendent having
6 responsibility for activities specified under this part, including but
7 not limited to, reporting and remitting contributions.

8 (b) This section shall be administered in compliance with the
9 requirements defining a governmental plan set forth in Section
10 414(d) of the Internal Revenue Code of 1986 (26 U.S.C. Sec.
11 414(d)).

12 SEC. 10. Section 22134 of the Education Code is amended to
13 read:

14 22134. (a) "Final compensation" means the highest average
15 annual compensation earnable, as defined by Section 22115, by a
16 member during any period of 36 consecutive months while an
17 active member of the Defined Benefit Program or time during
18 which he or she was not a member but for which the member has
19 received credit under the Defined Benefit Program, except time
20 that was so credited for service performed outside this state prior
21 to July 1, 1944.

22 (b) For purposes of this section, periods of service separated by
23 breaks in service may be aggregated, if the periods of service are
24 consecutive except for the breaks.

25 (c) The determination of final compensation of a member who
26 is eligible for concurrent retirement as defined in Section 22115.5
27 shall take into consideration the compensation earnable while a
28 member of any other system, provided that both of the following
29 exist:

30 (1) Service under any other system was not performed during
31 the same pay period with service under the Defined Benefit
32 Program.

33 (2) Retirement under the Defined Benefit Program is concurrent
34 with the member's retirement under any other system pursuant to
35 Section 22115.5.

36 (d) The compensation earnable for the first position in which
37 California service was credited shall be used when additional
38 compensation earnable is required for the purpose of determining
39 final compensation under Section 23805.

1 (e) If a member has received service credit for part-time service
2 performed prior to July 1, 1956, the member's final compensation
3 shall be adjusted for that service in excess of one year by the ratio
4 that part-time service bears to full-time service.

5 (f) The board may specify a different final compensation with
6 respect to disability allowances, disability retirement allowances,
7 family allowances, and children's portions of survivor benefit
8 allowances payable on and after January 1, 1978. The compensation
9 earnable for periods of part-time service shall be adjusted by the
10 ratio that part-time service bears to full-time service.

11 (g) The amendment of former Section 22127 made by Chapter
12 782 of the Statutes of 1982 does not constitute a change in, but is
13 declaratory of, the existing law.

14 SEC. 11. Section 22134.5 of the Education Code is amended
15 to read:

16 22134.5. (a) Notwithstanding Section 22134, "final
17 compensation" means the highest average annual compensation
18 earnable, as defined in Section 22115, by a member during any
19 period of 12 consecutive months while an active member of the
20 Defined Benefit Program or time during which he or she was not
21 a member but for which the member has received credit under the
22 Defined Benefit Program, except time that was so credited for
23 service performed outside this state prior to July 1, 1944.

24 (b) For purposes of this section, periods of service separated by
25 breaks in service may be aggregated, if the periods of service are
26 consecutive except for the breaks.

27 (c) The determination of final compensation of a member who
28 is eligible for concurrent retirement as defined in Section 22115.5
29 shall take into consideration the compensation earnable while a
30 member of any other system, provided that both of the following
31 exist:

32 (1) Service under any other system was not performed during
33 the same pay period with service under the Defined Benefit
34 Program.

35 (2) Retirement under the Defined Benefit Program is concurrent
36 with the member's retirement under any other system pursuant to
37 Section 22115.5.

38 (d) If a member has received service credit for part-time service
39 performed prior to July 1, 1956, the member's final compensation

1 shall be adjusted for that service in excess of one year by the ratio
2 that part-time service bears to full-time service.

3 (e) The board may specify a different final compensation with
4 respect to disability allowances, disability retirement allowances,
5 family allowances, and children's portions of survivor benefit
6 allowances payable on and after January 1, 1978. The compensation
7 earnable for periods of part-time service shall be adjusted by the
8 ratio that part-time service bears to full-time service.

9 (f) This section shall apply to the following:

10 (1) A member who has 25 or more years of credited service,
11 excluding service credited pursuant to the following:

12 (A) Section 22714.

13 (B) Section 22715.

14 (C) Section 22717, except as provided in subdivision ~~(b)~~ (c) of
15 Section 22121.

16 (D) Section 22826.

17 (2) A nonmember spouse, if the member had 25 or more years
18 of credited service, as calculated in paragraph (1), on the date the
19 parties separated, as established in the judgment or court order
20 pursuant to Section 22652.

21 (3) This section shall not apply to a member subject to the
22 California Public Employees' Pension Reform Act of 2013.

23 SEC. 12. Section 22135 of the Education Code is amended to
24 read:

25 22135. (a) Notwithstanding subdivision (a) of Section 22134,
26 "final compensation" means the highest average annual
27 compensation earnable, as defined by Section 22115, by an active
28 member who is a classroom teacher not subject to the California
29 Public Employees' Pension Reform Act of 2013 and who retires,
30 becomes disabled, or dies, after June 30, 1990, during any period
31 of 12 consecutive months while an active member of the Defined
32 Benefit Program.

33 (b) Section 22134, except subdivision (a) of that section, shall
34 apply to classroom teachers who retire after June 30, 1990, and
35 any statutory reference to Section 22134 or "final compensation"
36 with respect to a classroom teacher who retires, becomes disabled,
37 or dies, after June 30, 1990, shall be deemed to be a reference to
38 this section.

39 (c) As used in this section, "classroom teacher" means any of
40 the following:

1 (1) All teachers and substitute teachers in positions requiring
2 certification qualifications who spend, during the last 10 years of
3 their employment with the same employer which immediately
4 precedes their retirement, 60 percent or more of their contract time
5 each year providing direct instruction. For the purpose of
6 determining continuity of employment within the meaning of this
7 subdivision, an authorized leave of absence for sabbatical or illness
8 or other collectively bargained or employer-approved leaves shall
9 not constitute a break in service.

10 (2) Other certificated personnel who spend, during the last 10
11 years of their employment with the same employer that
12 immediately precedes their retirement, 60 percent or more of their
13 contract time each year providing direct services to pupils,
14 including, but not limited to, librarians, counselors, nurses, speech
15 therapists, resource specialists, audiologists, audiometrists,
16 hygienists, optometrists, psychologists, driver safety instructors,
17 and personnel on special assignment to perform school attendance
18 and adjustment services.

19 (d) As used in this section, “classroom teacher” does not include
20 any of the following:

21 (1) Certificated employees whose job descriptions require an
22 administrative credential.

23 (2) Certificated employees whose job descriptions include
24 responsibility for supervision of certificated staff.

25 (3) Certificated employees who serve as advisers, coordinators,
26 consultants, or developers or planners of curricula, instructional
27 materials, or programs, who spend, during the last 10 years of their
28 employment with the same employer that immediately precedes
29 their retirement, less than 60 percent of their contract time in direct
30 instruction.

31 (4) Certificated employees whose job descriptions require
32 provision of direct instruction or services, but who are functioning
33 in nonteaching assignments.

34 (5) Classified employees.

35 (e) This section shall apply only to teachers employed by an
36 employer that has, pursuant to Chapter 10.7 (commencing with
37 Section 3540) of Division 4 of Title 1 of the Government Code,
38 entered into, extended, renewed, or amended a written agreement
39 with an exclusive representative, prior to January 1, 2014, that

1 makes this section applicable to all of its classroom teachers, as
2 defined in subdivision (c).

3 (f) The written agreement shall include a mechanism to pay for
4 all increases in allowances provided for by this section through
5 employer contributions or employee contributions or both, which
6 shall be collected and retained by the employer in a trust fund to
7 be used solely and exclusively to pay the system for all increases
8 in allowances provided by this section and related administrative
9 costs; and a mechanism for disposition of the employee's
10 contributions if employment is terminated before retirement, and
11 for the establishment of a trust fund board. The trust fund board
12 shall administer the trust fund and shall be composed of an equal
13 number of members representing classroom teachers chosen by
14 the bargaining agent and the employer. If the employer agrees to
15 pay the total cost of increases in allowances, the establishment of
16 a trust fund and a trust fund board shall be optional to the employer.
17 The employer, within 30 days of receiving an invoice from the
18 system, shall reimburse the retirement fund the amount determined
19 by the Teachers' Retirement Board to be the actuarial equivalent
20 of the difference between the allowance the member or beneficiary
21 receives pursuant to this section and the allowance the member or
22 beneficiary would have received if the member's final
23 compensation had been computed under Section 22134 and the
24 proportionate share of the cost to the plan's Defined Benefit
25 Program, as determined by the Teachers' Retirement Board, of
26 administering this section. The payment shall include the cost of
27 all increases in allowances provided for by this section for all years
28 of service credited to the member as of the benefit effective date.
29 Interest shall be charged at the regular interest rate for any payment
30 not received within 30 days of receipt of the invoice. Payments
31 not received within 30 days after receipt of the invoice may be
32 collected pursuant to Section 23007.

33 (g) Upon the execution of the agreement, the employer shall
34 notify all certificated employees of the agreement and any
35 certificated employee of the employer, who is a member of the
36 Public Employees' Retirement System pursuant to Section 22508,
37 that he or she may, within 60 days following the date of
38 notification, elect to terminate his or her membership in the Public
39 Employees' Retirement System and become a member of this
40 plan's Defined Benefit Program. However, only service credited

1 under the Defined Benefit Program subsequent to the date of that
2 election shall be subject to this section.

3 (h) An employer that agrees to become subject to this section,
4 shall, on a form and within the timeframes prescribed by the
5 system, certify the applicability of this section to a member
6 pursuant to the criteria set forth in this section when a retirement,
7 disability, or family allowance becomes payable.

8 (i) For a nonmember spouse, final compensation shall be
9 determined pursuant to paragraph (5) of subdivision (c) of Section
10 22664. The employer, within 30 days of receiving an invoice from
11 the system, shall reimburse the retirement fund pursuant to
12 subdivision (f). Interest shall be charged at the regular interest rate
13 for payments not received within the prescribed timeframe.
14 Payments not received within 30 days of invoicing may be
15 collected pursuant to Section 23007.

16 SEC. 13. Section 22136 of the Education Code is amended to
17 read:

18 22136. (a) “Final compensation” with respect to a member
19 whose salary while an active member was reduced because of a
20 reduction in school funds *as certified by the employer* means the
21 highest average annual compensation earnable, as defined by
22 Section 22115, by the member during any 36 months while
23 employed to perform creditable service subject to coverage by the
24 Defined Benefit Program ~~if the member elects to be subject to this~~
25 ~~section, as certified by the employer.~~ *Program.*

26 (b) For the purposes of this section, periods of service separated
27 by breaks in service or periods in which a member’s salary was
28 reduced may be aggregated, if the periods of service are
29 consecutive except for the breaks or periods of the salary reduction.

30 SEC. 14. Section 22146.2 of the Education Code is amended
31 to read:

32 22146.2. (a) Notwithstanding subdivision (f) of Section
33 7522.04 of the Government Code, “member subject to the
34 California Public Employees’ Pension Reform Act of 2013” means
35 a person who first becomes employed to perform creditable service
36 subject to coverage under the Defined Benefit Program on or after
37 January 1, 2013.

38 (b) A member as defined in subdivision (a) does not include a
39 person who was a member on or before December 31, 2012, of
40 the California Public Employees’ Retirement System, the

Legislators' Retirement System, the University of California Retirement System, a county retirement system established under Chapter 3 (commencing with Section 31450) of Part 3 of Division 4 of Title 3 of the Government Code, or the San Francisco Employees' Retirement System, and the person performed service in the other retirement system within the six months prior to ~~the commencement of~~ *becoming employed to perform* creditable service *subject to coverage* under the Defined Benefit Program.

(c) This section shall be deemed to have become operative on January 1, 2013.

~~SEC. 14.~~

SEC. 15. Section 22516 of the Education Code is amended to read:

22516. (a) Nothing in this chapter shall be construed or applied to exclude from membership in the Defined Benefit Program any person employed to perform creditable service at a level that requires mandatory membership in the program for which he or she has the right to elect membership in the program or another retirement system and who elects membership in the other retirement system, or who is employed to perform creditable service at a level that does not require mandatory membership in the Defined Benefit Program.

(b) Service performed after becoming a member of another retirement system shall not be credited to the member under this part, nor shall contributions or benefits under this part be based upon that service or the compensation received by the member during that period of service, except as provided in the definition of "final compensation" contained in Section 22134 or 22134.5.

~~SEC. 15.~~

SEC. 16. Section 22655 of the Education Code is amended to read:

22655. (a) Upon the legal separation or dissolution of marriage of a retired member, the court may include in the judgment or court order a determination of the community property rights of the parties in the retired member's retirement allowance and, if applicable, retirement benefit under this part consistent with this section. Upon election under subparagraph (B) of paragraph (3) of subdivision (a) of Section 2610 of the Family Code, the court order awarding the nonmember spouse a community property share

1 in the retirement allowance or retirement benefit, or both, of a
2 retired member shall be consistent with this section.

3 (b) If the court does not award the entire retirement allowance
4 or retirement benefit under this part to the retired member and the
5 retired member is receiving a retirement allowance that has not
6 been modified pursuant to Section 24300 or 24300.1, a single life
7 annuity pursuant to Section 25011 or 25018, or a member only
8 annuity described in paragraph (1) of subdivision (a) of Sections
9 25011.1 and 25018.1, the court shall require only that the system
10 pay the nonmember spouse, by separate warrant, his or her
11 community property share of the retired member's retirement
12 allowance or retirement benefit, or both, under this part.

13 (c) If the court does not award the entire retirement allowance
14 or retirement benefit under this part to the retired member and the
15 retired member is receiving an allowance that has been actuarially
16 modified pursuant to Section 24300 or 24300.1, or a joint and
17 survivor annuity pursuant to Section 25011, 25011.1, 25018, or
18 25018.1, the court shall order only one of the following:

19 (1) The retired member shall maintain the retirement allowance
20 or joint and survivor annuity, or both, under this part without
21 change.

22 (2) The retired member shall cancel the option that modified
23 the retirement allowance under this part pursuant to Section 24322
24 and elect a new joint and survivor option or designate a new
25 beneficiary or both, and the system shall pay the nonmember
26 spouse, by separate warrant, his or her community property share
27 of the retirement allowance payable to the retired member, the
28 option beneficiary, or both.

29 (3) The retired member shall cancel the joint and survivor
30 annuity under which the retirement benefit is being paid pursuant
31 to Section 24324, and elect a new joint and survivor annuity or
32 designate a new annuity beneficiary or both, based on the actuarial
33 equivalent of the member's canceled annuity, and the system shall
34 pay the nonmember spouse, by separate warrant, his or her
35 community property share of the retirement benefit payable to the
36 retired member, the annuity beneficiary, or both.

37 (4) The retired member shall take the action specified in both
38 paragraphs (2) and (3).

39 (5) The retired member shall cancel the option that modified
40 the retirement allowance under this part pursuant to Section 24322

1 and elect an unmodified retirement allowance and the system shall
2 pay the nonmember spouse, by separate warrant, his or her
3 community property share of the retired member's retirement
4 allowance under this part.

5 (6) The retired member shall cancel, pursuant to Section 24324,
6 the joint and survivor annuity under which the retirement benefit
7 is being paid, and elect a single life annuity, and the system shall
8 pay the nonmember spouse, by separate warrant, his or her
9 community property share of the retirement benefit payable to the
10 retired member.

11 (7) The retired member shall take the action specified in both
12 paragraphs (5) and (6).

13 (d) If the option beneficiary or annuity beneficiary or both under
14 this part, other than the nonmember spouse, predeceases the retired
15 member, the court shall order the retired member to designate a
16 new option beneficiary pursuant to Section 24323, or a new annuity
17 beneficiary pursuant to Section 24324 and shall order the system
18 to pay the nonmember spouse, by separate warrant, his or her share
19 of the community property interest in the retirement allowance or
20 retirement benefit payable to the retired member or the new option
21 beneficiary or annuity beneficiary or each of them.

22 (e) The right of the nonmember spouse to receive his or her
23 community property share of the retired member's retirement
24 allowance or retirement benefit or both under this section shall
25 terminate upon the death of the nonmember spouse. However, the
26 nonmember spouse may designate a beneficiary under the Defined
27 Benefit Program and a payee under the Defined Benefit
28 Supplement Program to receive his or her community property
29 share of the retired member's accumulated retirement contributions
30 and accumulated Defined Benefit Supplement account balance
31 under this part in the event that there are remaining accumulated
32 retirement contributions and a balance of credits in the member's
33 Defined Benefit Supplement account to be paid upon the death of
34 the nonmember spouse.

35 ~~SEC. 16.~~

36 *SEC. 17.* Section 22662 of the Education Code is amended to
37 read:

38 22662. The nonmember spouse who is awarded a separate
39 account under the Defined Benefit Program may redeposit
40 accumulated retirement contributions previously refunded to the

1 member in accordance with the determination of the court pursuant
2 to Section 22652.

3 (a) The nonmember spouse may redeposit under the Defined
4 Benefit Program only those accumulated retirement contributions
5 that were previously refunded to the member and in which the
6 court has determined the nonmember spouse has a community
7 property interest.

8 (b) The nonmember spouse shall inform the system in writing
9 of his or her intent to redeposit within 180 days after the judgment
10 or court order that specifies the redeposit rights of the nonmember
11 spouse is entered. Except as provided in subdivision (g), the
12 nonmember spouse's election to redeposit shall be made on a form
13 provided by the system within 30 days after the system mails an
14 election form and the billing.

15 (c) If the nonmember spouse elects to redeposit under the
16 Defined Benefit Program, he or she shall repay all or a portion of
17 the member's refunded accumulated retirement contributions that
18 were awarded to the nonmember spouse and shall pay regular
19 interest from the date of the refund to the date payment of the
20 redeposit is completed.

21 (d) All payments shall be received by the system before the
22 effective date of the nonmember spouse's retirement under this
23 part. If any payment due because of the election is not received at
24 the system's headquarters office within 120 days of its due date,
25 the election shall be canceled and any payments made under the
26 election shall be returned to the nonmember spouse.

27 (e) The right of the nonmember spouse to redeposit shall be
28 subject to Section 23203.

29 (f) The member shall not have a right to redeposit the share of
30 the nonmember spouse in the previously refunded accumulated
31 retirement contributions under this part whether or not the
32 nonmember spouse elects to redeposit. However, any accumulated
33 retirement contributions previously refunded under this part and
34 not explicitly awarded to the nonmember spouse under this part
35 by the judgment or court order shall be deemed the exclusive
36 property of the member.

37 (g) The measurement of time within which the election to
38 redeposit described in subdivision (b) shall be made is subject to
39 Section 22337.

1 ~~SEC. 17.~~

2 *SEC. 18.* Section 22663 of the Education Code is amended to
3 read:

4 22663. The nonmember spouse who is awarded a separate
5 account under this part has the right to purchase additional service
6 credit in accordance with the determination of the court pursuant
7 to Section 22652.

8 (a) The nonmember spouse may purchase only the service credit
9 that the court, pursuant to Section 22652, has determined to be the
10 community property interest of the nonmember spouse.

11 (b) The nonmember spouse shall inform the system in writing
12 of his or her intent to purchase additional service credit within 180
13 days after the date the judgment or court order addressing the right
14 of the nonmember spouse to purchase additional service credit is
15 entered. Except as provided in subdivision (f), the nonmember
16 spouse shall elect to purchase additional service credit on a form
17 provided by the system within 30 days after the system mails an
18 election form and billing.

19 (c) If the nonmember spouse elects to purchase additional
20 service credit, he or she shall pay, prior to retirement under this
21 part, all contributions with respect to the additional service at the
22 contribution rate for additional service credit in effect at the time
23 of election and regular interest from July 1 of the year following
24 the year upon which contributions are based.

25 (1) (A) The nonmember spouse shall purchase additional service
26 credit by paying the required contributions and interest in one lump
27 sum, or in not more than 120 monthly installments, provided that
28 no installment, except the final installment, is less than twenty-five
29 dollars (\$25). Regular interest shall be charged on the monthly,
30 unpaid balance if the nonmember spouse pays in installments.

31 (B) If any payment due, because of the election, is not received
32 at the system's headquarters office within 120 days of its due date,
33 the election shall be canceled and any payments made under the
34 election shall be returned to the nonmember spouse.

35 (2) The contributions shall be based on the member's
36 compensation earnable in the most recent school year during which
37 the member was employed, preceding the date of separation
38 established by the court pursuant to Section 22652.

1 (3) All payments of contributions and interest shall be received
2 by the system before the effective date of the retirement of the
3 nonmember spouse.

4 (d) The nonmember spouse does not have a right to purchase
5 additional service credit under this part after the effective date of
6 a refund of the accumulated retirement contributions in the separate
7 account of the nonmember spouse.

8 (e) The member does not have a right to purchase the community
9 property interest of the nonmember spouse of additional service
10 credit under this part whether or not the nonmember spouse elects
11 to purchase the additional service credit. However, any additional
12 service credit eligible for purchase that is not explicitly awarded
13 to the nonmember spouse by the judgment or court order shall be
14 deemed the exclusive property of the member.

15 (f) The measurement of time within which the election to
16 purchase additional service credit described in subdivision (b) shall
17 be made is subject to Section 22337.

18 ~~SEC. 18.~~

19 *SEC. 19.* Section 22664 of the Education Code is amended to
20 read:

21 22664. The nonmember spouse who is awarded a separate
22 account shall have the right to a service retirement allowance and,
23 if applicable, a retirement benefit under this part.

24 (a) The nonmember spouse shall be eligible to retire for service
25 under this part if the following conditions are satisfied:

26 (1) The member had at least five years of credited service during
27 the period of marriage, at least one year of which had been
28 performed subsequent to the most recent refund to the member of
29 accumulated retirement contributions. The credited service may
30 include service credited to the account of the member as of the
31 date of the dissolution or legal separation, previously refunded
32 service, out-of-state service, and permissive service credit that the
33 member is eligible to purchase at the time of the dissolution or
34 legal separation.

35 (2) The nonmember spouse has at least ~~2½~~ *two and one-half*
36 years of credited service in his or her separate account.

37 (3) The nonmember spouse has attained 55 years of age or more.

38 (b) A service retirement allowance of a nonmember spouse
39 under this part shall become effective upon a date designated by
40 the nonmember spouse, provided:

(1) The requirements of subdivision (a) are satisfied.

(2) The nonmember spouse has filed an application for service retirement on a properly executed form provided by the system, that is executed no earlier than six months before the effective date of the retirement allowance.

(3) The effective date is no earlier than the first day of the month that the application is received at the system's headquarters office and the effective date is after the date the judgment or court order pursuant to Section 22652 was entered.

(c) (1) Upon service retirement at normal retirement age under this part, the nonmember spouse shall receive a retirement allowance that shall consist of an annual allowance payable in monthly installments equal to 2 percent of final compensation for each year of credited service.

(2) If the nonmember spouse's retirement is effective at less than normal retirement age and between early retirement age under this part and normal retirement age, the retirement allowance shall be reduced by one-half of 1 percent for each full month, or fraction of a month, that will elapse until the nonmember spouse would have reached normal retirement age.

(3) If the nonmember spouse's service retirement is effective at an age greater than normal retirement age and is effective on or after January 1, 1999, the percentage of final compensation for each year of credited service shall be determined pursuant to the following table:

Age at Retirement	Percentage
60¼	2.033
60½	2.067
60¾	2.10
61	2.133
61¼	2.167
61½	2.20
61¾	2.233
62	2.267
62¼	2.30
62½	2.333
62¾	2.367
63 and over	2.40

1 (4) In computing the retirement allowance of the nonmember
2 spouse, the age of the nonmember spouse on the last day of the
3 month that the retirement allowance begins to accrue shall be used.

4 (5) Final compensation, for purposes of calculating the service
5 retirement allowance of the nonmember spouse under this
6 subdivision, shall be calculated according to the definition of final
7 compensation in Section 22134, 22134.5, 22135, or 22136,
8 whichever is applicable, and shall be based on the member's
9 compensation earnable up to the date the parties separated, as
10 established in the judgment or court order pursuant to Section
11 22652. The nonmember spouse shall not be entitled to use any
12 other calculation of final compensation.

13 (d) Upon service retirement under this part, the nonmember
14 spouse shall receive a retirement benefit based on an amount equal
15 to the balance of credits in the nonmember spouse's Defined
16 Benefit Supplement account on the date the retirement benefit
17 becomes payable.

18 (1) A retirement benefit shall be a lump-sum payment, or an
19 annuity payable in monthly installments, or a combination of both
20 a lump-sum payment and an annuity, as elected by the nonmember
21 spouse on the application for a retirement benefit. A retirement
22 benefit paid as an annuity under this chapter shall be subject to
23 Sections 22660, 25011, and 25011.1.

24 (2) Upon distribution of the entire retirement benefit in a
25 lump-sum payment, no other benefit shall be payable to the
26 nonmember spouse or the nonmember spouse's beneficiary under
27 the Defined Benefit Supplement Program.

28 (e) If the member is or was receiving a disability allowance
29 under this part with an effective date before or on the date the
30 parties separated as established in the judgment or court order
31 pursuant to Section 22652, or at any time applies for and receives
32 a disability allowance with an effective date that is before or
33 coincides with the date the parties separated as established in the
34 judgment or court order pursuant to Section 22652, the nonmember
35 spouse shall not be eligible to retire until after the disability
36 allowance of the member terminates. If the member who is or was
37 receiving a disability allowance returns to employment to perform
38 creditable service subject to coverage under the Defined Benefit
39 Program or has his or her allowance terminated under Section
40 24015, the nonmember spouse may not be paid a retirement

1 allowance until at least six months after termination of the disability
2 allowance and the return of the member to employment to perform
3 creditable service subject to coverage under the Defined Benefit
4 Program, or the termination of the disability allowance and the
5 employment or self-employment of the member in any capacity,
6 notwithstanding Section 22132. If at the end of the six-month
7 period, the member has not had a recurrence of the original
8 disability or has not had his or her earnings fall below the amounts
9 described in Section 24015, the nonmember spouse may be paid
10 a retirement allowance if all other eligibility requirements are met.

11 (1) The retirement allowance of the nonmember spouse under
12 this subdivision shall be calculated as follows: the disability
13 allowance the member was receiving, exclusive of the portion for
14 dependent children, shall be divided between the share of the
15 member and the share of the nonmember spouse. The share of the
16 nonmember spouse shall be the amount obtained by multiplying
17 the disability allowance, exclusive of the portion for dependent
18 children, by the years of service credited to the separate account
19 of the nonmember spouse, including service projected to the date
20 of separation, and dividing by the projected service of the member.
21 The nonmember spouse's retirement allowance shall be the lesser
22 of the share of the nonmember spouse under this subdivision or
23 the retirement allowance under subdivision (c).

24 (2) The share of the member shall be the total disability
25 allowance reduced by the share of the nonmember spouse. The
26 share of the member shall be considered the disability allowance
27 of the member for purposes of Section 24213.

28 (f) The nonmember spouse who receives a retirement allowance
29 is not a retired member under this part. However, the allowance
30 of the nonmember spouse shall be increased by application of the
31 improvement factor and shall be eligible for the application of
32 supplemental increases and other benefit maintenance provisions
33 under this part, including, but not limited to, Sections 24412 and
34 24415 based on the same criteria used for the application of these
35 benefit maintenance increases to the service retirement allowances
36 of members.

37 (g) Paragraphs (1) ~~through~~ to (3), inclusive, of subdivision (c)
38 shall not apply to a nonmember spouse of a member subject to the
39 California Public Employees' Pension Reform Act of 2013. For a
40 person who is a nonmember spouse of a member subject to the

1 California Public Employees' Pension Reform Act of 2013 and is
2 awarded a separate account, the retirement allowance shall equal
3 the percentage of final compensation for each year of credited
4 service that is equal to the percentage specified in Section 24202.6
5 based on the age of the nonmember spouse on the effective date
6 of the allowance.

7 ~~SEC. 19.~~

8 *SEC. 20.* Section 22801 of the Education Code is amended to
9 read:

10 22801. (a) A member who requests to purchase additional
11 service credit as provided in this chapter and Chapter 14.2
12 (commencing with Section 22820) shall pay, prior to retirement,
13 all contributions with respect to that service at the contribution
14 rate for additional service credit, adopted by the board as a plan
15 amendment, in effect on the date of the request to purchase
16 additional service credit. If the system is unable to inform the
17 member or beneficiary of the amount required to purchase
18 additional service credit prior to the effective date of the applicable
19 allowance, the member or beneficiary may make the required
20 payment within 30 working days after the date of mailing of the
21 statement of contributions and interest required or the effective
22 date of the appropriate allowance, whichever is later, except as
23 provided in subdivision (i). The payment shall be paid in full before
24 a member or beneficiary receives any adjustment in the appropriate
25 allowance due because of that payment. Contributions shall be
26 made in a lump sum, or in not more than 120 monthly installments,
27 not to exceed ten years. No installment, except the final installment,
28 shall be less than twenty-five dollars (\$25).

29 (b) If the member is employed to perform creditable service
30 subject to coverage by the Defined Benefit Program on the date
31 of the request to purchase additional service credit, the
32 contributions shall be based upon the compensation earnable in
33 the current school year or either of the two immediately preceding
34 school years, whichever is highest.

35 (c) If the member is not employed to perform creditable service
36 subject to coverage by the Defined Benefit Program on the date
37 of the request to purchase additional service credit, the
38 contributions shall be based upon the compensation earnable in
39 the last school year of credited service or either of the two
40 immediately preceding school years, whichever is highest, and

1 additional regular interest shall be added to the contributions from
2 July 1 of the subsequent year in which the member last performed
3 creditable service subject to coverage by the Defined Benefit
4 Program to 20 days after the date of the request.

5 (d) The employer may pay the amount required as employer
6 contributions for additional service credited under paragraphs (7),
7 (8), (9), and (10) of subdivision (a) of Section 22803.

8 (e) The Public Employees' Retirement System shall transfer
9 the actuarial present value of the assets of a person who makes an
10 election pursuant to paragraph (11) of subdivision (a) of Section
11 22803.

12 (f) Regular interest shall be charged on the monthly unpaid
13 balance if the member pays in installments. Regular interest may
14 not be charged or be payable for the period of a delay caused by
15 the system's inability or failure to determine and inform the
16 member or beneficiary of the amount of contributions and interest
17 that is payable. The period of delay shall commence on the 20th
18 day following the day on which the member or beneficiary who
19 wishes to make payment evidences in writing to the system that
20 he or she is ready, willing, and able to make payment to the system.
21 The period of delay shall cease on the first day of the month
22 following the mailing of notification of contributions and interest
23 payable.

24 (g) If the payment described in subdivision (a) is not received
25 at the system's headquarters office within 120 days of the due date,
26 the election pursuant to this section shall be canceled. The member
27 shall receive credit for additional service based on the payments
28 that were made or the member may request a return of his or her
29 payments.

30 (h) If the election to purchase additional service credit is
31 canceled as described in subdivision (g), the member may, prior
32 to the effective date of his or her retirement, elect to purchase
33 additional service credit pursuant to this section.

34 (i) The measurement of time within which the purchase of
35 additional service credit described in subdivision (a) shall be made
36 is subject to Section 22337.

37 ~~SEC. 20.~~

38 *SEC. 21.* Section 22826 of the Education Code is amended to
39 read:

1 22826. (a) A member, other than a retired member, may
2 request to purchase up to five years of nonqualified service credit
3 provided the member is vested in the Defined Benefit Program as
4 provided in Section 22156.

5 (b) A member who requests to purchase nonqualified service
6 credit as provided in this chapter shall contribute to the retirement
7 fund the actuarial cost of the service, including interest as
8 appropriate, as determined by the board based on the most recent
9 valuation of the plan with respect to the Defined Benefit Program
10 in effect on the date of the request, in accordance with subdivisions
11 (a), (f), (g), and (h) of Section 22801.

12 (c) This section shall apply only to an application to purchase
13 nonqualified service credit on a properly executed form provided
14 by the system and received at the system's headquarters office
15 prior to January 1, 2013, that is subsequently approved by the
16 system.

17 ~~SEC. 21.~~

18 *SEC. 22.* Section 22828 of the Education Code is amended to
19 read:

20 22828. A request to purchase out-of-state service credit
21 pursuant to Section 22827 must be received no later than June 30,
22 2009.

23 ~~SEC. 22.~~

24 *SEC. 23.* Section 22905 of the Education Code is amended to
25 read:

26 22905. (a) Member contributions pursuant to Section 22901,
27 employer contributions pursuant to Section 22903 or 22904, and
28 member contributions made by an employer pursuant to Section
29 22909 shall be credited to the member's individual account under
30 the Defined Benefit Program or the Defined Benefit Supplement
31 Program, whichever is applicable pursuant to the provisions of
32 this part.

33 (b) Except as provided in subdivision (f), member and employer
34 contributions, exclusive of contributions pursuant to Section 22951,
35 on a member's compensation under the following circumstances
36 shall be credited to the member's Defined Benefit Supplement
37 account:

38 (1) Compensation for creditable service that exceeds one year
39 in a school year.

(2) Compensation that is determined by the system to have been paid to enhance a member's benefits pursuant to subdivision (b) of Section 22119.2 or to not reflect sound principles that support the integrity of the retirement fund pursuant to subdivision (f) of Section 22119.2.

(3) Compensation that is paid for a limited number of times as specified by law, a collective bargaining agreement, or an employment agreement.

(c) A member may not make voluntary pretax or posttax contributions under the Defined Benefit Supplement Program, except as provided in subdivision (d), nor may a member redeposit amounts previously distributed based on the balance in the member's Defined Benefit Supplement account.

(d) Member and employer contributions pursuant to paragraph (1) of subdivision (b) under the Defined Benefit Supplement Program shall be credited to the accounts of members as of July 1 each year following a determination by the system under the provisions of this part that those contributions should be credited to the Defined Benefit Supplement Program. Any other contributions under the Defined Benefit Supplement Program pursuant to paragraph (2) or (3) of subdivision (b), shall be credited to the individual account of the member upon receipt by the system. Contributions to a member's Defined Benefit Supplement account shall be identified separately from the member's contributions credited under the Defined Benefit Program.

(e) The provisions of this section shall become operative on July 1, 2002, if the revenue limit cost-of-living adjustment computed by the Superintendent of Public Instruction for the 2001–02 fiscal year is equal to or greater than 3.5 percent. Otherwise this section shall become operative on July 1, 2003.

(f) Paragraphs (2) and (3) of subdivision (b) shall not apply to a member subject to the California Public Employees' Pension Reform Act of 2013.

SEC. 24. Section 22909 of the Education Code is amended to read:

22909. (a) Notwithstanding Sections 22901, 22956, and 23000, an employer may pay all or a portion of the contributions required to be paid by a member of the Defined Benefit Program. Where the member is included in a group or class of employment in which no members are subject to the California Public Employees'

1 Pension Reform Act of 2013, the payment shall be for all members
2 in the group or class of employment. The payments shall be
3 credited to member accounts pursuant to Section 22905. The
4 employer shall report contributions to the system as if the member
5 and the employer were paying the contributions in accordance
6 with this part, notwithstanding this section. For purposes of this
7 chapter, the member's contributions shall be considered to be the
8 percentage of the member's creditable compensation that would
9 have been paid pursuant to this chapter, notwithstanding this
10 section. Notwithstanding Section 22119.2, contributions paid
11 pursuant to this section may not be included in creditable
12 compensation.

13 (b) Nothing in this section shall be construed to limit the
14 authority of an employer to periodically increase, reduce, or
15 eliminate the payment by the employer of all or a portion of the
16 contributions required to be paid by members of the Defined
17 Benefit Program, as authorized by this section.

18 (c) This section shall only apply to an employer that is picking
19 up members' contributions pursuant to Section 22903 or 22904.

20 (d) As of January 1, 2013, this section shall not apply if the
21 group or class of employment includes members who are subject
22 to the Public Employees' Pension Reform Act of 2013. If the terms
23 of a written agreement with an exclusive representative *or a written*
24 *employment agreement* that is in effect on January 1, 2013, would
25 be impaired by this subdivision, this subdivision shall not apply
26 to the employer and members subject to that written agreement
27 until the expiration of that written agreement. A renewal,
28 amendment, or any other extension of that written agreement shall
29 be subject to the requirements of this subdivision.

30 (e) As of January 1, 2014, this section shall not apply if the
31 group or class of employment does not include members who are
32 subject to the Public Employees' Pension Reform Act *of* 2013. If
33 the terms of a written agreement with an exclusive representative
34 *or a written employment agreement* that is in effect on January 1,
35 2014, would be impaired by this subdivision, this subdivision shall
36 not apply to the employer and members subject to that written
37 agreement until the expiration of that written agreement. A renewal,
38 amendment, or any other extension of that written agreement shall
39 be subject to the requirements of this subdivision.

1 ~~SEC. 23.~~

2 *SEC. 25.* Section 23104 of the Education Code is amended to
3 read:

4 23104. (a) Deposit in the United States mail of an initial
5 warrant drawn as directed by the member as a refund of
6 contributions upon termination of employment, and addressed to
7 the address directed by the member, constitutes a return of the
8 member's accumulated retirement contributions under this part.

9 (b) Except as provided in subdivision (e), if the member has
10 elected on a form provided by the system to transfer all or a
11 specified portion of the accumulated retirement contributions that
12 are eligible for direct trustee-to-trustee transfer to the trustee of a
13 qualified plan under Section 402 of the Internal Revenue Code of
14 1986 (26 U.S.C. Sec. 402), deposit in the United States mail of a
15 notice that the requested transfer has been made constitutes a return
16 of the member's accumulated retirement contributions under this
17 part.

18 (c) Except as provided in subdivision (e), for refunds not
19 involving direct trustee-to-trustee transfers, if the member returns
20 the total gross distribution amount to the system's headquarters
21 office within 30 days from the mailing date, the refund shall be
22 canceled and the person shall be restored as a member of the
23 Defined Benefit Program with all the rights and privileges under
24 this part restored.

25 (d) Except as provided in subdivision (e), for refunds involving
26 direct trustee-to-trustee transfers, if the member returns the warrant
27 drawn to the trustee of the qualified plan or the trustee returns the
28 amount of the qualified refund and, if applicable, any additional
29 amounts necessary to equal, but in no event to exceed, the total
30 gross distribution amount to the system's headquarters office within
31 30 days from the mailing date, the refund shall be canceled and
32 the person shall be restored as a member of the Defined Benefit
33 Program with all the rights and privileges under this part restored.

34 (e) The mode of notice described in subdivision (b) and the
35 measurement of time within which the return of total gross
36 distribution amounts described in subdivisions (c) and (d) shall be
37 made are subject to Section 22337.

38 ~~SEC. 24.~~

39 *SEC. 26.* Section 24001 of the Education Code is amended to
40 read:

1 24001. (a) (1) A member may apply for a disability allowance
2 under the Defined Benefit Program, upon written application for
3 disability allowance to the board on a properly executed form
4 provided by the system, if the member has five or more years of
5 credited service and if all of the following requirements are met:

6 (A) At least four years were credited for actual performance of
7 service subject to coverage under the Defined Benefit Program.
8 Credit received because of workers' compensation payments shall
9 be counted toward the four-year requirement in accordance with
10 Section 22710.

11 (B) The last five years of credited service were performed in
12 this state.

13 (C) Except as described in subdivision (d) of Section 24201.5,
14 the member is not currently receiving a service retirement
15 allowance and at least one year was credited for service performed
16 subsequent to the date on which the member terminated a service
17 retirement allowance under Section 24208.

18 (D) At least one year was credited for service performed
19 subsequent to the most recent refund of accumulated retirement
20 contributions.

21 (E) The member has neither attained normal retirement age, nor
22 possesses sufficient unused sick leave days to receive creditable
23 compensation on account of sick leave to normal retirement age.

24 (F) The member is not applying for a disability allowance
25 because of a physical or mental condition known to exist at the
26 time the most recent membership in the Defined Benefit Program
27 commenced and remains substantially unchanged at the time of
28 application.

29 (2) A member who becomes disabled prior to normal retirement
30 age, who has sick leave which will extend beyond normal
31 retirement age, and who has a dependent child, may be awarded
32 a disability allowance with an effective date after normal retirement
33 age if the application is filed prior to attaining normal retirement
34 age.

35 (b) Nothing in subdivision (a) shall affect the right of a member
36 to a disability allowance under this part if the reason that the
37 member is credited with less than four years of actual service
38 performed subject to coverage under the Defined Benefit Program
39 is due to an on-the-job injury or a disease that occurred while the
40 member was employed and the four-year requirement can be

1 satisfied by credit obtained under Chapter 14 (commencing with
2 Section 22800) or Chapter 14.5 (commencing with Section 22850)
3 in addition to any credit received from workers' compensation
4 payments.

5 (c) Nothing in subdivision (a) shall affect the right of a member
6 under this part who has less than five years of credited service to
7 a disability allowance if the following conditions are met:

8 (1) The member has at least one year of credited service
9 performed in this state.

10 (2) The disability is the direct result of an unlawful act of bodily
11 injury that was perpetrated on his or her person by another human
12 being while the member was performing his or her official duties
13 in a position subject to coverage under the Defined Benefit
14 Program.

15 (3) The member provides documentation of the unlawful act in
16 the form of an official police report or official employer incident
17 report.

18 (d) A member who is eligible to apply for a disability allowance
19 pursuant to this section may also apply for a service retirement
20 pending a determination of his or her application for disability as
21 described in Section 24201.5.

22 ~~SEC. 25.~~

23 *SEC. 27.* Section 24101 of the Education Code is amended to
24 read:

25 24101. (a) A member may apply for a disability retirement
26 under this part, upon written application for disability retirement
27 to the board on a properly executed form provided by the system,
28 if the member has five or more years of credited service and if all
29 of the following requirements are met:

30 (1) At least four years were credited for actual service performed
31 subject to coverage under the Defined Benefit Program. Credit
32 received because of workers' compensation payments shall be
33 counted toward the four-year requirement in accordance with
34 Section 22710.

35 (2) The last five years of credited service were performed in
36 this state.

37 (3) Except as described in subdivision (d) of Section 24201.5,
38 the member is not currently receiving a service retirement
39 allowance and at least one year of credited service was earned

1 subsequent to the date on which the member terminated a service
2 retirement allowance under Section 24208.

3 (4) At least one year of credited service was earned subsequent
4 to the date on which the member's disability retirement was
5 terminated.

6 (5) At least one year of credited service was earned subsequent
7 to the most recent refund of accumulated retirement contributions.

8 (6) The member is not applying for a disability retirement
9 because of a physical or mental condition known to exist at the
10 time the most recent membership in the Defined Benefit Program
11 commenced and that remains substantially unchanged at the time
12 of application.

13 (b) Nothing in subdivision (a) shall affect the right of a member
14 to a disability retirement if the reason that the member has
15 performed less than four years of actual service is due to an
16 on-the-job injury or a disease while in employment subject to
17 coverage by the Defined Benefit Program and the four-year
18 requirement can be satisfied by credit obtained under Chapter 14
19 (commencing with Section 22800) or Chapter 14.5 (commencing
20 with Section 22850) in addition to any credit received from
21 workers' compensation payments.

22 (c) Nothing in subdivision (a) shall affect the right of a member
23 under this part who has less than five years of credited service to
24 a disability retirement allowance if the following conditions are
25 met:

26 (1) The member has at least one year of credited service
27 performed in this state.

28 (2) The disability is a direct result of an unlawful act of bodily
29 injury that was perpetrated on his or her person by another human
30 being while the member was performing his or her official duties
31 in a position subject to coverage under the Defined Benefit
32 Program.

33 (3) The member provides documentation of the unlawful act in
34 the form of an official police report or official employer incident
35 report.

36 (d) A member who is eligible to apply for a disability retirement
37 pursuant to this section may also apply for a service retirement
38 pending a determination of his or her application for disability as
39 described in Section 24201.5.

1 ~~SEC. 26.~~

2 *SEC. 28.* Section 24105 of the Education Code is amended to
3 read:

4 24105. (a) A disability retirement allowance under this part
5 shall become effective upon any date designated by the member,
6 provided that all of the following conditions are met:

7 (1) An application for disability retirement is filed on a properly
8 executed form prescribed by the system.

9 (2) The effective date is later than the last day of creditable
10 service for which compensation is payable to the member.

11 (3) The effective date is no earlier than either the first day of
12 the month in which the application is received at the system's
13 headquarters office or the date upon and continuously after which
14 the member is determined to the satisfaction of the board to have
15 been mentally incompetent.

16 (4) The application for disability retirement contains an election
17 of either an unmodified allowance or an allowance modified under
18 an option as provided in Section 24332.

19 (b) If the member is employed to perform creditable service
20 subject to coverage under the Defined Benefit Program at the time
21 the disability retirement is approved, the member shall notify the
22 system in writing, within 90 days, of the last day on which the
23 member will perform service. If the member does not respond
24 within 90 days, or if the last day on which service will be
25 performed is more than 90 days after the date the system notifies
26 the member of the approval of disability retirement, the member's
27 application for disability retirement shall be rejected and a
28 disability retirement allowance shall not be payable to the member.

29 ~~SEC. 27.~~

30 *SEC. 29.* Section 24107 of the Education Code is amended to
31 read:

32 24107. A member retired for disability under this part may
33 elect an option pursuant to Section 24332 to modify the disability
34 retirement allowance payable pursuant to subdivision (a) of Section
35 24106.

36 ~~SEC. 28.~~

37 *SEC. 30.* Section 24201.5 of the Education Code is amended
38 to read:

39 24201.5. (a) A member who is eligible and applies for a
40 disability allowance or retirement pursuant to Section 24001 or

1 24101 may apply to receive a service retirement allowance pending
2 the determination of his or her application for disability, subject
3 to all of the following:

4 (1) The member is eligible to retire for service under Section
5 24201 or 24203.

6 (2) The member submits the application on a form provided by
7 the system, subject to all of the following:

8 (A) The application is executed no earlier than the date the
9 application for disability benefits is executed and no earlier than
10 six months before the effective date of the retirement allowance.

11 (B) The effective date is no earlier than the first day of the month
12 in which the application for disability benefits is received at the
13 system's headquarters office, unless the application for disability
14 benefits is denied or canceled and the member has indicated an
15 earlier service retirement date on the application to use if denied
16 or canceled. If the application for disability benefits is denied or
17 canceled, the service retirement date of a member who submits an
18 application for retirement pursuant to this section on or after
19 January 1, 2014, shall be no earlier than January 1, 2014.

20 (C) The effective date is later than the last day of creditable
21 service for which compensation is payable to the member.

22 (D) The effective date is no earlier than one year following the
23 date on which a retirement allowance was terminated pursuant to
24 Section 24208, unless the application for disability benefits is
25 denied or canceled and the member has indicated an earlier service
26 retirement date on the application to use if denied or canceled. If
27 the application for disability benefits is denied or canceled, the
28 service retirement date is no earlier than one day after the date on
29 which a retirement allowance was terminated pursuant to Section
30 24208, provided that the retirement allowance is terminated on or
31 after January 1, 2014.

32 (E) The effective date is no earlier than one year following the
33 date on which a retirement allowance was terminated pursuant to
34 subdivision (a) of Section 24117.

35 (3) The effective date of the service retirement allowance can
36 be no earlier than the date upon and continuously after which the
37 member is determined to the satisfaction of the board to have been
38 mentally incompetent.

1 (4) A member who applies for service retirement under this
2 section is not eligible to receive a lump-sum payment and an
3 actuarially reduced monthly allowance pursuant to Section 24221.

4 (5) A member who applies for service retirement under this
5 section is not eligible to receive an allowance calculated pursuant
6 to Section 24205.

7 (6) (A) Except as described in subparagraph (B), a member
8 who applies for service retirement under this section shall not
9 receive service credit for each day of accumulated and unused
10 leave of absence for illness or injury or for education pursuant to
11 Section 22717 or 22717.5.

12 (B) If the application for disability is denied or canceled, the
13 member's service retirement allowance shall be adjusted to the
14 effective date of the service retirement to include service credited
15 pursuant to Section 22717 or 22717.5.

16 (7) If the application for disability is denied or canceled, a
17 member who applies for a service retirement allowance under this
18 section is subject to all of the following:

19 (A) Unless otherwise provided in this part, a member who, on
20 his or her application for service retirement, elects an option
21 pursuant to Section 24300.1 or 24307 may not change or revoke
22 that option.

23 (B) If the member receives a modified service retirement
24 allowance based on the election of an option pursuant to Section
25 24300.1 or 24307, that modified service retirement allowance shall
26 continue in effect and unchanged.

27 (C) If the member did not elect an option pursuant to Section
28 24300.1 or 24307 and receives an unmodified service retirement
29 allowance, that unmodified service retirement allowance shall
30 continue in effect and unchanged.

31 (b) A member who applies for service retirement under this
32 section may change or cancel his or her service retirement
33 application pursuant to Section 24204, or may terminate his or her
34 service retirement allowance pursuant to Section 24208.

35 (c) A member may not cancel his or her application for disability
36 prior to a determination of that application unless he or she submits
37 a written request to the system's headquarters office. If a member
38 elects to cancel his or her service retirement application or elects
39 to terminate his or her service retirement allowance as described

1 in subdivision (b), that election shall not cancel the application for
2 disability.

3 (d) (1) Subparagraph (C) of paragraph (1) of subdivision (a)
4 of Section 24001 and paragraph (3) of subdivision (a) of Section
5 24101 shall not apply to a member who cancels an application for
6 service retirement pursuant to Section 24204 or who terminates a
7 service retirement allowance pursuant to Section 24208, if all of
8 the following apply:

9 (A) The member earned at least one year of credited service
10 subsequent to the most recent terminated service retirement
11 allowance.

12 (B) The member's application for disability under this section
13 is pending determination by the board.

14 (2) If the member's application for disability under this section
15 is denied or canceled, subparagraph (C) of paragraph (1) of
16 subdivision (a) of Section 24001 and paragraph (3) of subdivision
17 (a) of Section 24101 shall apply if the member submits a new
18 application for disability.

19 (e) (1) If the board approves the application for disability, and
20 notwithstanding subdivision (f) of Section 24204, the board shall
21 cancel the member's application for service retirement and shall
22 authorize payment of a disability allowance or disability retirement.

23 (2) If the board approves the application for disability and the
24 member has received service retirement allowance payments under
25 this part, the effective date for the disability allowance or disability
26 retirement shall be the same as the effective date of the service
27 retirement allowance.

28 (f) If a member who applies for service retirement under this
29 section dies prior to a determination by the board on the application
30 for disability, the member shall be considered retired for service
31 at the time of death, and any subsequent benefits shall be paid
32 accordingly.

33 (g) If a member who applies for service retirement under this
34 section dies after the board has approved the member's application
35 for disability, the member shall be considered a disabled member,
36 or retired for disability, at the time of death, and any subsequent
37 benefits shall be paid accordingly, even if the member died prior
38 to receiving notification of the approval of his or her application
39 for disability.

(h) If the member changes or cancels his or her service retirement application or terminates his or her service retirement allowance as described in subdivision (b), the system shall make appropriate adjustments to the applicable service retirement allowance, disability allowance, or disability retirement allowance, retroactive to the effective date of the disability allowance or disability retirement allowance. Subdivision (a) of Section 24617 shall not apply.

(i) The system may recover a service retirement allowance overpayment made to a member by deducting that overpayment from any subsequent disability benefit payable to the member.

(j) Nothing in this section shall be construed to allow a member or beneficiary to receive more than one type of retirement or disability allowance for the same period of time.

~~SEC. 29.~~

SEC. 31. Section 24203.5 of the Education Code is amended to read:

24203.5. (a) The percentage of final compensation used to compute the allowance pursuant to Section 24202.5, 24203, 24205, 24209, 24209.3, 24210, 24211, 24212, or 24213 of a member retiring on or after January 1, 1999, who has 30 or more years of credited service, shall be increased by two-tenths of 1 percentage point, provided that the sum of the percentage of final compensation used to compute the allowance, including any adjustments for retiring before the normal retirement age, and the additional percentage provided by this section does not exceed 2.40 percent.

(b) For purposes of establishing eligibility for the increased allowance pursuant to this section only, credited service shall exclude service credited pursuant to the following:

(1) Section 22714.

(2) Section 22715.

(3) Section 22717, except as provided in subdivision ~~(b)~~ (c) of Section 22121.

(4) Section 22717.5.

(c) For purposes of establishing eligibility for the increased allowance pursuant to this section only, credited service shall include credited service that a court has ordered be awarded to a nonmember spouse pursuant to Section 22652. A nonmember spouse shall also be eligible for the increased allowance pursuant

1 to this section if the member had 30 or more years of credited
2 service on the date the parties separated, as established in the
3 judgment or court order pursuant to Section 22652.

4 (d) Nonqualified service credit for which contributions pursuant
5 to Section 22826 were made in a lump sum on or after January 1,
6 2000, or for which the first installment was made on or after
7 January 1, 2000, may not be included in determining the eligibility
8 for an increased allowance pursuant to this section.

9 ~~SEC. 30.~~

10 *SEC. 32.* Section 24203.6 of the Education Code is amended
11 to read:

12 24203.6. (a) In addition to the amount otherwise payable
13 pursuant to Section 24202.5, 24203, 24203.5, 24205, 24209,
14 24209.3, 24210, 24211, 24212, or 24213, a member shall receive
15 an increase in the monthly allowance, prior to any modification
16 pursuant to Sections 24300, 24300.1, and 24309, in the amount
17 identified in subdivision (b), if the member meets all of the
18 following criteria:

19 (1) The member retires for service on or after January 1, 2001.

20 (2) Prior to January 1, 2011, the member has 30 or more years
21 of credited service, including any credited service that a court has
22 ordered be awarded to a nonmember spouse pursuant to Section
23 22652, but excluding service credited pursuant to the following:

24 (A) Section 22714.

25 (B) Section 22715.

26 (C) Section 22717, except as provided in subdivision ~~(b)~~ (c) of
27 Section 22121.

28 (D) Section 22717.5.

29 (E) Section 22826.

30 (3) The member is receiving an allowance subject to Section
31 24203.5.

32 (b) The amount of the increase in the monthly allowance shall
33 be based on the member's years of credited service at the time of
34 retirement as follows:

35		
36	30 years of credited service	\$200
37	31 years of credited service	\$300
38	32 or more years of credited service	\$400
39		

(c) This section also applies to a nonmember spouse, if all of the following conditions are satisfied:

(1) The member is eligible for the allowance increase pursuant to subdivisions (a) and (b) upon his or her retirement for service.

(2) On the date the parties separated, as established in the judgment or court order pursuant to Section 22652, the member had at least 30 years of credited service, excluding service credited pursuant to the following:

(A) Section 22714.

(B) Section 22715.

(C) Section 22717, except as provided in subdivision ~~(b)~~ (c) of Section 22121.

(D) Section 22717.5.

(E) Section 22826.

(3) The service credit of the member was divided into separate accounts in the name of the member and the nonmember spouse by a court pursuant to Section 22652. The amount identified in the schedule in subdivision (b) and payable pursuant to this section, that is based on the service credited during the marriage, shall be divided and paid to the member and the nonmember spouse proportionately according to the respective percentages of the member's service credit that were allocated to the member and the nonmember spouse in the court's order.

(d) The allowance increase provided under this section is not subject to Sections 24415 and 24417, but is subject to Section 22140.

~~SEC. 31.~~

SEC. 33. Section 24204 of the Education Code is amended to read:

24204. (a) A service retirement allowance under this part shall become effective upon any date designated by the member, provided all of the following conditions are met:

(1) An application for service retirement allowance is filed on a form provided by the system, which is executed no earlier than six months before the effective date of retirement allowance.

(2) The effective date is later than the last day of creditable service for which compensation is payable to the member.

(3) The effective date is no earlier than one day after the date on which the retirement allowance was terminated under Section 24208.

1 (4) The effective date is no earlier than one year following the
2 date on which the retirement allowance was terminated under
3 subdivision (a) of Section 24117.

4 (5) The effective date is no earlier than the date upon and
5 continuously after which the member is determined to the
6 satisfaction of the board to have been mentally incompetent.

7 (6) The effective date is no earlier than the date upon which the
8 member completes payment of a service credit purchase pursuant
9 to Section 22801, 22820, or 22826, or payment of a redeposit of
10 contributions pursuant to Section 23200, except as provided in
11 Section 22801 or 22829.

12 (b) A member who files an application for service retirement
13 may change or cancel his or her retirement application, as long as
14 the form provided by the system is received in the system's
15 headquarters office no later than 30 days from the date the
16 member's initial benefit payment for the member's most recent
17 retirement under the Defined Benefit Program is paid by the
18 system. If a member cancels his or her retirement application, the
19 member shall return the total gross distribution amount of all
20 payments for the canceled retirement benefit to the system's
21 headquarters office no later than 45 days from the date of the
22 member's initial benefit payment and shall be liable for any adverse
23 tax consequences that may result from these actions.

24 (c) The retirement date of a member who files an application
25 for retirement pursuant to Section 24201 on or after January 1,
26 2012, shall be no earlier than January 1, 2012.

27 (d) Nothing in this section shall be construed to allow a member
28 to receive more than one type of retirement or disability allowance
29 for the same period of time by virtue of his or her own membership.

30 ~~SEC. 32.~~

31 *SEC. 34.* Section 24205 of the Education Code is amended to
32 read:

33 24205. A member retiring prior to 60 years of age, and who
34 has attained 55 years of age, may elect to receive one-half of the
35 service retirement allowance for normal retirement age for a limited
36 time and then revert to the full retirement allowance for normal
37 retirement age.

38 (a) The retirement allowance shall be based on service credit
39 and final compensation as of the date of retirement for service and
40 shall be calculated with the factor for normal retirement age.

(b) If the member elects a joint and survivor option under Section 24300 or 24300.1, the actuarial reduction shall be based on the member's and beneficiary's ages as of the effective date of the early retirement. If the member elected a preretirement option under Section 24307, the actuarial reduction shall be based on the member's and beneficiary's ages as determined by the provisions of that section.

(c) One-half of the retirement allowance as of 60 years of age shall be paid for a period of time equal to twice the elapsed time between the effective date of retirement and the date of the retired member's 60th birthday.

(d) The full retirement allowance as calculated under subdivision (a) or (b) shall begin to accrue as of the first of the month following the reduction period as specified in subdivision (c). The full retirement allowance shall not begin to accrue prior to this time under any circumstances, including, but not limited to, divorce or death of the named beneficiary.

(e) The annual improvement factor provided for in Sections 22140 and 22141 shall be based upon the retirement allowance as calculated under subdivision (a) or (b). The improvement factor shall begin to accrue on September 1 following the retired member's 60th birthday. These increases shall be accumulated and shall become payable when the full retirement allowance for normal retirement age first becomes payable.

(f) Any ad hoc benefit increase with an effective date prior to the retired member's 60th birthday shall not affect an allowance payable under this section. Only those ad hoc improvements with effective dates on or after the retired member's 60th birthday shall be accrued and accumulated and shall first become payable when the full retirement allowance for normal retirement age becomes payable.

(g) The cancellation of an option election in accordance with Section 24322 shall not cancel the election under this section. Upon cancellation of the joint and survivor option, one-half of the retired member's retirement allowance as calculated under subdivision (a) shall become payable for the balance of the reduction period specified in subdivision (c).

(h) If a retired member who has elected a joint and survivor option dies during the period when the reduced allowance is payable, the beneficiary shall receive one-half of the allowance

1 payable to the beneficiary until the date when the retired member
2 would have received the full retirement allowance for normal
3 retirement age. At that time, the beneficiary's allowance shall be
4 increased to the full amount payable to the beneficiary plus the
5 appropriate annual improvement factor increases and ad hoc
6 increases.

7 (i) This section shall not apply to a member who retires for
8 service pursuant to Section 24201.5, 24209, 24209.3, 24210,
9 24211, or 24212.

10 (j) This section shall not apply to a member subject to the
11 California Public Employees' Pension Reform Act of 2013.

12 ~~SEC. 33.~~

13 *SEC. 35.* Section 24210 of the Education Code is amended to
14 read:

15 24210. Upon retirement for service following a prior disability
16 retirement granted pursuant to Chapter 26 (commencing with
17 Section 24100) that was terminated, the member shall receive a
18 service retirement allowance calculated pursuant to Section 24202,
19 24202.5, 24202.6, 24203, 24203.5, 24203.6, or 24206 and equal
20 to the sum of both of the following:

21 (a) An amount based on service credit accrued prior to the
22 effective date of the disability retirement, the member's age as of
23 the effective date of the service retirement, and indexed final
24 compensation to the effective date of the service retirement.

25 (b) An amount based on the service credit accrued after
26 termination of the disability retirement, the member's age as of
27 the effective date of service retirement, and final compensation.

28 ~~SEC. 34.~~

29 *SEC. 36.* Section 24211 of the Education Code is amended to
30 read:

31 24211. When a member who has been granted a disability
32 allowance under this part after June 30, 1972, returns to
33 employment subject to coverage under the Defined Benefit
34 Program and performs:

35 (a) Less than three years of creditable service after termination
36 of the disability allowance, the member shall receive a retirement
37 allowance which is the sum of the allowance calculated on service
38 credit accrued after the termination date of the disability allowance,
39 excluding service credited pursuant to Sections 22717 and 22717.5
40 or Chapter 14 (commencing with Section 22800) or Chapter 14.2

1 (commencing with Section 22820) or Chapter 19 (commencing
2 with Section 23200), the age of the member on the last day of the
3 month in which the retirement allowance begins to accrue, and
4 final compensation using compensation earnable or projected final
5 compensation, or a combination of both, plus the greater of either
6 of the following:

7 (1) A service retirement allowance calculated on service credit
8 accrued as of the effective date of the disability allowance,
9 excluding service credited pursuant to Sections 22717 and 22717.5
10 or Chapter 14 (commencing with Section 22800) or Chapter 14.2
11 (commencing with Section 22820) or Chapter 19 (commencing
12 with Section 23200), the age of the member on the last day of the
13 month in which the retirement allowance begins to accrue, and
14 projected final compensation to the termination date of the
15 disability allowance.

16 (2) The disability allowance the member was eligible to receive
17 immediately prior to termination of that allowance, excluding
18 children's portions.

19 (b) Three or more years of creditable service after termination
20 of the disability allowance, the member shall receive a retirement
21 allowance that is the greater of the following:

22 (1) A service retirement allowance calculated on all actual and
23 projected service excluding service credited pursuant to Sections
24 22717 and 22717.5 or Chapter 14 (commencing with Section
25 22800) or Chapter 14.2 (commencing with Section 22820) or
26 Chapter 19 (commencing with Section 23200), the age of the
27 member on the last day of the month in which the retirement
28 allowance begins to accrue, and final compensation using
29 compensation earnable, or projected final compensation, or a
30 combination of both.

31 (2) The disability allowance the member was receiving
32 immediately prior to termination of that allowance, excluding
33 children's portions.

34 (c) The allowance shall be increased by an amount based on
35 any service credited pursuant to Sections 22714, 22715, 22717,
36 and 22717.5 or Chapter 14 (commencing with Section 22800) or
37 Chapter 14.2 (commencing with Section 22820) or Chapter 19
38 (commencing with Section 23200), and final compensation using
39 compensation earnable, or projected final compensation, or a
40 combination of both.

1 (d) If the total amount of credited service, other than projected
2 service or service that accrued pursuant to Sections 22714, 22715,
3 22717, 22717.5, and 22826, is equal to or greater than 30 years,
4 the amounts identified in subdivisions (a) and (b) shall be
5 calculated pursuant to Sections 24203.5 and 24203.6.

6 (e) For purposes of this section, final compensation shall not
7 be based on a determination of compensation earnable as described
8 in subdivision (e) of Section 22115.

9 (f) Upon retirement, the member may elect to modify the service
10 retirement allowance payable in accordance with any option
11 provided under this part.

12 ~~SEC. 35.~~

13 *SEC. 37.* Section 24212 of the Education Code is amended to
14 read:

15 24212. (a) If a disability allowance granted under this part
16 after June 30, 1972, is terminated for reasons other than those
17 specified in Section 24213 and the member does not return to
18 employment subject to coverage under the Defined Benefit
19 Program, the member's service retirement allowance, when
20 payable, shall be based on projected service, excluding service
21 credited pursuant to Sections 22717 and 22717.5 or Chapter 14
22 (commencing with Section 22800) or Chapter 14.2 (commencing
23 with Section 22820), or Chapter 19 (commencing with Section
24 23200), projected final compensation, and the age of the member
25 on the last day of the month in which the retirement allowance
26 begins to accrue. The allowance payable under this section,
27 excluding annuities payable from accumulated annuity deposit
28 contributions, shall not be greater than the terminated disability
29 allowance excluding children's portions.

30 (b) The allowance shall be increased by an amount based on
31 any service credited pursuant to Sections 22714, 22715, 22717,
32 and 22717.5 or Chapter 14 (commencing with Section 22800) or
33 Chapter 14.2 (commencing with Section 22820) or Chapter 19
34 (commencing with Section 23200) and final compensation using
35 compensation earnable, or projected final compensation, or a
36 combination of both.

37 (c) If the total amount of credited service, other than projected
38 service or service that accrued pursuant to Sections 22714, 22715,
39 22717, 22717.5, and 22826, is equal to or greater than 30 years,

1 the amounts identified in subdivisions (a) and (b) shall be
2 calculated pursuant to Sections 24203.5 and 24203.6.

3 (d) Upon retirement, the member may elect to modify the service
4 retirement allowance payable in accordance with any option
5 provided under this part.

6 ~~SEC. 36.~~

7 *SEC. 38.* Section 24213 of the Education Code is amended to
8 read:

9 24213. (a) When a member who has been granted a disability
10 allowance under this part after June 30, 1972, attains normal
11 retirement age, or at a later date when there is no dependent child,
12 the disability allowance shall be terminated and the member shall
13 be eligible for service retirement. The retirement allowance shall
14 be calculated on the projected final compensation and projected
15 service to normal retirement age, excluding service credited
16 pursuant to Sections 22717 and 22717.5, or Chapter 14
17 (commencing with Section 22800) or Chapter 14.2 (commencing
18 with Section 22820), or Chapter 19 (commencing with Section
19 23200), and the age of the member on the last day of the month
20 in which the retirement allowance begins to accrue. The allowance
21 payable under this section, excluding annuities payable from
22 accumulated annuity deposit contributions, shall not be greater
23 than the terminated disability allowance. ~~The allowance shall be~~
24 ~~increased by an amount based on any service credited pursuant to~~
25 ~~Section 22714, 22715, 22717, or 22717.5, or Chapter 14~~
26 ~~(commencing with Section 22800), Chapter 14.2 (commencing~~
27 ~~with Section 22820), or Chapter 19 (commencing with Section~~
28 ~~23200) and projected final compensation to normal retirement age,~~
29 *allowance, excluding children's portions.*

30 *(b) The allowance shall be increased by an amount based on*
31 *any service credited pursuant to Section 22714, 22715, 22717, or*
32 *22717.5, or Chapter 14 (commencing with Section 22800), Chapter*
33 *14.2 (commencing with Section 22820), or Chapter 19*
34 *(commencing with Section 23200) and projected final*
35 *compensation to normal retirement age.*

36 *(c) If the total amount of credited service, other than projected*
37 *service or service that accrued pursuant to Sections 22714, 22715,*
38 *22717, 22717.5, and 22826, is equal to or greater than 30 years,*
39 *the amounts identified in subdivisions (a) and (b) shall be*
40 *calculated pursuant to Sections 24203.5 and 24203.6.*

1 ~~(b)~~

2 (d) Upon retirement, the member may elect to modify the service
3 retirement allowance payable in accordance with any option
4 provided under this part.

5 ~~SEC. 37.~~

6 SEC. 39. Section 24214.5 of the Education Code is amended
7 to read:

8 24214.5. (a) (1) Notwithstanding subdivision (f) of Section
9 24214, the postretirement compensation limitation that shall apply
10 to the compensation paid in cash to the retired member for
11 performance of retired member activities, excluding
12 reimbursements paid by an employer for expenses incurred by the
13 member in which payment of the expenses by the member is
14 substantiated, shall be zero dollars (\$0) during the first 180 calendar
15 days after the most recent retirement of a member retired for service
16 under this part.

17 (2) For written agreements pertaining to the performance of
18 retired member activities entered into, extended, renewed, or
19 amended on or after January 1, 2014, the limitation in paragraph
20 (1) shall also apply to payments, including, but not limited to,
21 those for participation in a deferred compensation plan; to purchase
22 an annuity contract, tax-deferred retirement plan, or insurance
23 program; and for contributions to a plan that meets the requirements
24 of Section 125, 401(a), 401(k), 403(b), 457(b), or 457(f) of Title
25 26 of the United States Code when the cost is covered by an
26 employer.

27 (b) If the retired member has attained normal retirement age at
28 the time the compensation is earned, subdivision (a) shall not apply
29 and Section 24214 shall apply if the appointment has been
30 approved by the governing body of the employer in a public
31 meeting, as reflected in a resolution adopted by the governing body
32 of the employer prior to the performance of retired member
33 activities, expressing its intent to seek an exemption from the
34 limitation specified in subdivision (a). Approval of the appointment
35 may not be placed on a consent calendar. Notwithstanding any
36 other provision of Article 3.5 (commencing with Section 6250) of
37 Division 7 of Title 1 of the Government Code or any state or
38 federal law incorporated by subdivision (k) of Section 6254 of the
39 Government Code, the resolution shall be subject to disclosure by

1 the entity adopting the resolution and the system. The resolution
2 shall include the following specific information and findings:

3 (1) The nature of the employment.

4 (2) A finding that the appointment is necessary to fill a critically
5 needed position before 180 calendar days have passed.

6 (3) A finding that the member is not ineligible for application
7 of this subdivision pursuant to subdivision (d).

8 (4) A finding that the termination of employment of the retired
9 member with the employer is not the basis for the need to acquire
10 the services of the member.

11 (c) Subdivision (b) shall not apply to a retired member whose
12 termination of employment with the employer is the basis for the
13 need to acquire the services of the member.

14 (d) Subdivision (b) shall not apply if the retired member received
15 additional service credit pursuant to Section 22714 or 22715 or
16 received from any public employer any financial inducement to
17 retire. For purposes of this section, “financial inducement to retire”
18 includes, but is not limited to, any form of compensation or other
19 payment that is paid directly or indirectly by a public employer to
20 the member, even if not in cash, either before or after retirement,
21 if the participant retires for service on or before a specific date or
22 specific range of dates established by a public employer on or
23 before the date the inducement is offered. The system shall liberally
24 interpret this subdivision to further the Legislature’s intent to make
25 subdivision (b) inapplicable to members if the member received
26 a financial incentive from any public employer to retire or
27 otherwise terminate employment with a public employer.

28 (e) The Superintendent, the county superintendent of schools,
29 or the chief executive officer of a community college shall submit
30 all documentation required by the system to substantiate the
31 eligibility of the retired member for application of subdivision (b),
32 including, but not limited to, the resolution adopted pursuant to
33 that subdivision.

34 (f) The documentation required by this section shall be received
35 by the system prior to the retired member’s performance of retired
36 member activities.

37 (g) Within 30 calendar days after the receipt of all
38 documentation required by the system pursuant to this section, the
39 system shall inform the entity seeking application of the exemption
40 specified in subdivision (b), and the retired member whether the

1 compensation paid to the member will be subject to the limitation
2 specified in subdivision (a).

3 (h) If a member retired for service under this part earns
4 compensation for performing retired member activities in excess
5 of the limitation specified in subdivision (a), the member's
6 retirement allowance shall be reduced by the amount of the excess
7 compensation. The amount of the reduction may be equal to the
8 monthly allowance payable but may not exceed the amount of the
9 allowance payable during the first 180 calendar days, after a
10 member retired for service under this part.

11 (i) The amendments to this section enacted during the first year
12 of the 2013–14 Regular Session shall apply to compensation paid
13 on or after January 1, 2014.

14 ~~SEC. 38.~~

15 *SEC. 40.* Section 24300 of the Education Code is amended to
16 read:

17 24300. (a) A member may, upon application for retirement,
18 elect an option pursuant to this part that would provide an
19 actuarially modified retirement allowance payable throughout the
20 life of the member and the member's option beneficiary or
21 beneficiaries, as follows:

22 (1) Option 2. The modified retirement allowance shall be paid
23 to the retired member. Upon the retired member's death, an
24 allowance equal to the modified amount that the retired member
25 was receiving shall be paid to the option beneficiary.

26 (2) Option 3. The modified retirement allowance shall be paid
27 to the retired member. Upon the retired member's death, an
28 allowance equal to one-half of the modified amount that the retired
29 member was receiving shall be paid to the option beneficiary.

30 (3) Option 4. The modified retirement allowance shall be paid
31 to the retired member as long as both the retired member and the
32 option beneficiary are living. Upon the death of either the retired
33 member or the option beneficiary, an allowance equal to two-thirds
34 of the modified amount that the retired member was receiving shall
35 be paid to the surviving retired member or the surviving option
36 beneficiary.

37 (4) Option 5. The modified retirement allowance shall be paid
38 to the retired member as long as both the retired member and the
39 option beneficiary are living. Upon the death of either the retired
40 member or the option beneficiary, an allowance equal to one-half

1 of the modified amount that the retired member was receiving shall
2 be paid to the surviving retired member or surviving option
3 beneficiary.

4 (5) Option 6. The modified retirement allowance shall be paid
5 to the retired member and upon the retired member's death, an
6 allowance equal to the modified amount that the retired member
7 was receiving shall be paid to the option beneficiary.

8 (6) Option 7. The modified retirement allowance shall be paid
9 to the retired member and upon the retired member's death, an
10 allowance equal to one-half of the modified amount the retired
11 member was receiving shall be paid to the option beneficiary.

12 (7) Option 8. (A) A member may designate multiple option
13 beneficiaries. The member who has designated more than one
14 option beneficiary shall elect an option that the member is
15 authorized to elect subject to subdivision (e) for each beneficiary
16 designated that would provide an actuarially modified retirement
17 allowance payable throughout the lives of the member and the
18 member's option beneficiaries upon the member's death.

19 (B) The modified retirement allowance shall be paid to the
20 retired member as long as the retired member and at least one of
21 the option beneficiaries are living. Upon the retired member's
22 death, an allowance shall be paid to each surviving option
23 beneficiary in accordance with the option elected respective to that
24 beneficiary. The member shall determine the percentage of the
25 unmodified allowance that will be modified by the election of
26 Option 2, Option 3, Option 4, Option 5, Option 6, or Option 7
27 within this option, the aggregate of which shall equal 100 percent
28 of the member's unmodified allowance. The election of this option
29 is subject to approval by the board.

30 (C) A member who is a party to an action for legal separation
31 or dissolution of marriage and who is required by court order to
32 designate a spouse or former spouse as an option beneficiary may
33 designate his or her spouse or former spouse as a sole option
34 beneficiary under subparagraphs (A) and (B). The member shall
35 specify the option elected for the spouse or former spouse and the
36 percentage of his or her unmodified allowance to be modified by
37 the option, consistent with the court order. The percentage of the
38 member's unmodified allowance that is not modified by the option
39 shall remain an unmodified allowance payable to the member. The
40 aggregate of the percentages specified for the option beneficiary

1 and the member's remaining unmodified allowance, if any, shall
2 equal 100 percent.

3 (b) For purposes of this section, the member shall designate an
4 option beneficiary on a properly executed retirement application.
5 Except as otherwise provided by this chapter, the option shall
6 become effective on the member's benefit effective date.

7 (c) A member may revoke or change an election of an option
8 at any time prior to the effective date of the member's retirement
9 under this part. A revocation or change of an option may not be
10 made in derogation of a spouse's or former spouse's community
11 property rights as specified in a court order.

12 (d) On or before July 1, 2004, the board shall evaluate the
13 existing options and annuities provided pursuant to this section,
14 Chapter 38 (commencing with Section 25000) of this part, and
15 Part 14 (commencing with Section 26000) and adopt, as a plan
16 amendment, any appropriate changes to the options and annuities
17 based on the needs of members, participants, and their
18 beneficiaries, including, but not limited to, providing economic
19 security for beneficiaries and reducing complexity in the election
20 of options and annuities by members and participants. The changes
21 to the options and annuities may have no net actuarial impact on
22 the retirement fund, and the board may establish any eligibility
23 criteria it deems necessary to prevent an adverse actuarial impact
24 to the fund. The board shall designate the effective date of the plan
25 amendment, which shall be at least 18 months after the amendment
26 is adopted by the board, and notwithstanding any other provision
27 of this section, the options and annuities available to members and
28 participants eligible to retire pursuant to this part and Part 14
29 (commencing with Section 26000), after the effective date of the
30 plan amendment made pursuant to this subdivision, shall reflect
31 the changes adopted as a plan amendment pursuant to this
32 subdivision.

33 (e) Any member or participant who retired and elected an option
34 or a joint and survivor annuity, or who filed a preretirement election
35 of an option prior to the effective date of the plan amendment made
36 pursuant to subdivision (d), may elect to change to a different
37 option or joint and survivor annuity, as modified by the board as
38 a plan amendment pursuant to subdivision (d), if the member or
39 participant meets all the criteria established by the board to prevent
40 a change in an option or joint and survivor annuity from having

1 an adverse actuarial impact on the retirement fund, including, but
2 not limited to, the effective date of a new designation or limitations
3 on any changes if a member or participant, as the case may be, or
4 beneficiary, or both, is currently not living or afflicted with a
5 known terminal illness. The member or participant shall designate
6 the change during the six-month period that begins with the
7 effective date of the plan amendment, on a form prescribed by the
8 system. Any member changing an option election pursuant to this
9 subdivision is not subject to the allowance reduction prescribed
10 in Section 24309 or 24310 as a result of the election. If a member
11 or participant elects to change his or her option or joint and survivor
12 annuity under this subdivision, the member or participant shall
13 retain the same option beneficiary or beneficiaries as named in the
14 prior designation.

15 (f) The Legislature reserves the right to modify this section prior
16 to the effective date of the plan amendment made pursuant to
17 subdivision (d) to prevent any actuarial impact to the fund.

18 (g) ~~On~~ *Except as described in subdivision (e) of Section 24300.1,*
19 *on or after January 1, 2007,* a member may not make a new election
20 for an option or joint and survivor annuity described in subdivision
21 (a).

22 (h) Any member with a retirement effective on or after January
23 1, 2007, shall elect an option from the options described in Section
24 24300.1. Any member making a new option election under the
25 provisions of Section 24320, 24321, 24322, or 24323 shall elect
26 an option from the options described in Section 24300.1 if the
27 effective date of the new option election is on or after January 1,
28 2007.

29 ~~SEC. 39.~~

30 *SEC. 41.* Section 24300.1 of the Education Code is amended
31 to read:

32 24300.1. (a) A member may, upon application for retirement,
33 elect an option pursuant to this part that would provide an
34 actuarially modified retirement allowance payable throughout the
35 life of the member and the member's option beneficiary or
36 beneficiaries, as follows:

37 (1) One hundred percent beneficiary option. The modified
38 retirement allowance shall be paid to the *retired* member and upon
39 the ~~retired~~ member's death, 100 percent of the modified allowance
40 shall continue to be paid to the option beneficiary.

1 (2) Seventy-five percent beneficiary option. The modified
2 retirement allowance shall be paid to the *retired* member and upon
3 the ~~retired~~ member's death, 75 percent of the modified allowance
4 shall continue to be paid to the option beneficiary. Pursuant to
5 Section 401(a)(9) of the Internal Revenue Code, unless the option
6 beneficiary is the member's spouse or former spouse who has been
7 awarded a community property interest in the benefits of the
8 member under this part, the member may not designate an option
9 beneficiary under this option who is more than exactly 19 years
10 younger than the member.

11 (3) Fifty percent beneficiary option. The modified retirement
12 allowance shall be paid to the retired member and upon the
13 ~~members'~~ member's death, 50 percent of the modified allowance
14 shall continue to be paid to the option beneficiary.

15 (4) Compound option. The member may designate multiple
16 option beneficiaries or one or multiple option beneficiaries with
17 a designated percentage to remain unmodified. The member shall
18 elect an option as described in paragraph (1), (2), or (3) for each
19 designated option beneficiary that would provide an actuarially
20 modified retirement allowance payable throughout the lives of the
21 retired member and the member's option beneficiary or
22 beneficiaries upon the member's death.

23 (A) The modified retirement allowance shall be paid to the
24 member as long as the member and at least one option beneficiary
25 is living. Upon the member's death, an allowance shall be paid to
26 each surviving option beneficiary in accordance with the option
27 elected respective to that option beneficiary.

28 (B) The member shall specify the percent of the unmodified
29 allowance that will be modified by the election of each option
30 described in paragraph (1), (2), or (3) of this subdivision. The
31 percent of the unmodified allowance that is not modified by an
32 option, if any, shall be payable to the member. The sum of the
33 percentages specified for the option beneficiary or beneficiaries
34 and the member's remaining unmodified allowance, if any, shall
35 equal 100 percent.

36 (C) The member's election of the compound option is subject
37 to all of the following:

38 (i) Pursuant to Section 401(a)(9) of the Internal Revenue Code,
39 unless the option beneficiary is the member's spouse or former
40 spouse who has been awarded a community property interest in

1 the member's benefits under this part, the member may not
2 designate an option beneficiary under the 100 percent beneficiary
3 option within this compound option who is more than exactly 10
4 years younger than the member.

5 (ii) Pursuant to Section 401(a)(9) of the Internal Revenue Code,
6 unless the option beneficiary is the member's spouse or former
7 spouse who has been awarded a community property interest in
8 the member's benefits under this part, the member may not
9 designate an option beneficiary under the 75 percent beneficiary
10 option within this compound option who is more than exactly 19
11 years younger than the member.

12 (b) For purposes of this section, the member shall designate an
13 option beneficiary on a properly executed retirement application.
14 Except as otherwise provided by this chapter, the option shall
15 become effective on the member's benefit effective date.

16 (c) A member may revoke or change an election of an option
17 no later than 30 days from the date the member's initial benefit
18 payment for the member's most recent retirement under the Defined
19 Benefit Program is paid by the system. A revocation of an option
20 may not be made in derogation of a spouse's or a former spouse's
21 community property rights as specified in a court order.

22 (d) Notwithstanding Section 297 or 299.2 of the Family Code,
23 a spouse described in paragraphs (2) and (4) of subdivision (a)
24 does not include the domestic partner of the member, pursuant to
25 Section 7 of Title 1 of the United States Code.

26 (e) If there is a determination of community property rights as
27 described in Chapter 12 (commencing with Section 22650) of this
28 part on or before December 31, 2006, the member may elect the
29 option that is required by the judgment or court order. Nothing in
30 this part shall permit the member to change the option to the
31 detriment of the community property interest of the nonmember
32 spouse.

33 (f) The board may evaluate the existing options and annuities
34 provided pursuant to this section, Chapter 38 (commencing with
35 Section 25000) of this part, and Part 14 (commencing with Section
36 26000) and adopt, as a plan amendment, any appropriate changes
37 to the options and annuities based on the needs of the members,
38 participants, and their beneficiaries, including, but not limited to,
39 providing economic security for beneficiaries and reducing the
40 complexity of the options and annuities. The changes to the options

1 and annuities may have no net actuarial impact on the retirement
2 fund and the board may establish any eligibility criteria the board
3 deems necessary to prevent an adverse actuarial impact to the fund.
4 The board shall designate the effective date of the plan amendment,
5 which shall be at least 18 months after the amendment is adopted
6 by the board, and notwithstanding any other provision of this
7 section, the options and annuities available to members and
8 participants eligible to retire pursuant to this part and Part 14
9 (commencing with Section 26000), after the effective date of the
10 plan amendment made pursuant to this subdivision, shall reflect
11 the changes adopted as a plan amendment to this subdivision.

12 ~~SEC. 40.~~

13 *SEC. 42.* Section 24300.2 of the Education Code is amended
14 and renumbered to read:

15 24345. (a) A member who retired and elected an option
16 pursuant to Section 24300 may elect to change options, subject to
17 all of the following:

18 (1) A member who elected Option 2 may elect to change to the
19 100-percent beneficiary option described in paragraph (1) or the
20 75-percent beneficiary option described in paragraph (2) of
21 subdivision (a) of Section 24300.1.

22 (2) A member who elected Option 3, Option 4, or Option 5 may
23 elect to change to the 75-percent beneficiary option described in
24 paragraph (2) or the 50-percent beneficiary option described in
25 paragraph (3) of subdivision (a) of Section 24300.1.

26 (3) A member who elected Option 6 or Option 7 may elect to
27 change to the 75-percent beneficiary option described in paragraph
28 (2) of subdivision (a) of Section 24300.1.

29 (4) A member who elected Option 8 may elect to have any
30 designated percentage of his or her unmodified allowance changed
31 in accordance with paragraph (1), (2), or (3).

32 (5) The election by a member under this section is made on or
33 after January 1, 2007, and prior to July 1, 2007.

34 (6) The member designates the same beneficiary that was
35 designated under the prior option elected by the member, if the
36 option and beneficiary designation were effective on or before
37 December 31, 2006.

38 (7) The member and the option beneficiary are not afflicted
39 with a known terminal illness and the member declares, under
40 penalty of perjury under the laws of this state, that to the best of

1 his or her knowledge, he or she and the option beneficiary are not
2 afflicted with a known terminal illness.

3 (8) The option beneficiary has not predeceased the member as
4 of the effective date of the change in the option by the member.

5 (b) The change in the option by the member shall be effective
6 on the date the election is signed, provided that the election is on
7 a properly executed form provided by the system and that election
8 is received at the system's headquarters office within 30 days after
9 the date the election is signed.

10 (c) After receipt of a member's election document, the system
11 shall mail an acknowledgment notice to the member that sets forth
12 the new option elected by the member.

13 (d) If the member and the option beneficiary are alive and not
14 afflicted with a known terminal illness, a member may cancel the
15 election to change options and elect to receive the benefit according
16 to the preexisting option election. After cancellation, the member
17 may elect to make a one-time change from the preexisting option
18 to any other option provided by and subject to the restrictions of
19 paragraph (1), (2), (3), or (4) of subdivision (a). The cancellation
20 or the cancellation and one-time change shall be made on a properly
21 executed form provided by the system and shall be received at the
22 system's headquarters office no later than 30 calendar days
23 following the date of mailing of the acknowledgment notice. If
24 the member elects to make the one-time change provided by this
25 subdivision, the change shall be effective as of the member's
26 signature date on the initial election to change.

27 (e) If the system is unable to mail an acknowledgment notice
28 to the member on or before June 1, 2007, or prior to the end of the
29 election period, provided that the member and the option
30 beneficiary are alive and not afflicted with a known terminal
31 illness, the system shall allow a member to cancel the election to
32 change options and elect to receive the benefit according to the
33 preexisting option election. After cancellation, the member may
34 elect to make a one-time change from the preexisting option to
35 any other option provided by and subject to the restrictions of
36 paragraph (1), (2), (3), or (4) of subdivision (a). The cancellation
37 or the cancellation and one-time change may be made after the
38 end of the election period if it is made on a properly executed form
39 provided by the system and is received at the system's headquarters
40 office no later than 30 days following the date of the

1 acknowledgment notice. If the member elects to make the one-time
2 change provided by this subdivision, the change shall be effective
3 as of the member's signature date on the initial election to change.

4 (f) If the member elects to change his or her option as described
5 in subdivision (a), the retirement allowance of the member shall
6 be modified in a manner determined by the board to prevent any
7 additional liability to the plan.

8 (g) The member shall not change options in derogation of a
9 spouse's or former spouse's community property rights as specified
10 in a court order.

11 ~~SEC. 41.~~

12 *SEC. 43.* Section 24300.5 of the Education Code is amended
13 and renumbered to read:

14 ~~24345.~~

15 *24331.* An option beneficiary who is receiving an allowance
16 pursuant to the option elected by the member may designate a
17 beneficiary to receive any allowance that has accrued and is unpaid,
18 and any remaining balance of the retired member's accumulated
19 retirement contributions payable pursuant to Section 23881, upon
20 the death of the option beneficiary.

21 ~~SEC. 42.~~

22 *SEC. 44.* Section 24300.6 of the Education Code is amended
23 and renumbered to read:

24 *24321.* (a) Any retired member who was unmarried and not
25 in a registered domestic partnership on the benefit effective date
26 who did not elect an option pursuant to Section 24300, 24300.1,
27 or 24307, and who thereafter marries or registers in a domestic
28 partnership, may, after the effective date of the member's
29 retirement under this part, elect an option described in paragraph
30 (1), (2), or (3) of subdivision (a) of Section 24300.1, naming his
31 or her new spouse or registered domestic partner as the option
32 beneficiary, subject to all of the following:

33 (1) The retired member shall have been married or registered
34 in a domestic partnership for at least one year prior to making the
35 election of the option.

36 (2) The retired member shall notify the board, in writing on a
37 properly executed form provided by the system, of the election of
38 the option and the designation of the member's new spouse or
39 registered domestic partner as the option beneficiary. That notice

1 shall include a certified copy of the marriage certificate or the
2 certificate of registration of domestic partnership.

3 (3) The election of an option under this section is subject to
4 approval by the board. A retired member may not elect a joint and
5 survivor option that would result in any additional liability to the
6 retirement fund. A retired member may not elect the compound
7 option described in paragraph (4) of subdivision (a) of Section
8 24300.1.

9 (4) The election shall be effective six months after the date the
10 notification is received by the board, provided that both the retired
11 member and the retired member's designated spouse or registered
12 domestic partner are then living. If the effective date of the new
13 option election is on or after January 1, 2007, at the time of the
14 new election the retired member shall elect an option from the
15 options described in paragraph (1), (2), or (3) of subdivision (a)
16 of Section 24300.1. If, before the new election becomes effective,
17 the member terminates his or her benefit pursuant to Section 24208
18 or the retired member or the new option beneficiary dies, the new
19 election is void and the unmodified election remains in effect.

20 (b) The election of the option and designation of the option
21 beneficiary under this section shall result in an actuarial
22 modification of the member's retirement allowance that shall be
23 payable through the life of the member and the member's new
24 spouse or registered domestic partner. Modification of the
25 member's retirement allowance pursuant to this section shall be
26 based on the ages of the retired member and the retired member's
27 new spouse or registered domestic partner as of the effective date
28 of the election.

29 ~~SEC. 43.~~

30 *SEC. 45.* Section 24301 of the Education Code is amended and
31 renumbered to read:

32 24332. (a) A member upon application for a disability
33 retirement pursuant to Chapter 26 (commencing with Section
34 24100), may elect, as provided in Section 24300 or 24300.1 to
35 receive an actuarially modified disability retirement allowance.

36 (b) For purposes of this section, the member shall either elect
37 to receive an unmodified allowance or designate an option
38 beneficiary on a properly executed form prescribed by the system,
39 either of which shall be filed with the system on or before the last
40 day of the month in which the member's disability retirement is

1 approved by the system. The option shall become effective on the
2 effective date of the disability retirement allowance. The
3 modification of the disability retirement allowance under the option
4 elected shall be based on the ages of the retired member and the
5 designated option beneficiary as of the effective date of the
6 disability retirement. The modification shall be applicable only to
7 the disability retirement allowance payable pursuant to subdivision
8 (a) of Section 24106.

9 (c) Except as provided in Sections 24300, 24300.1, 24320,
10 24321, 24322, and 24323, a member may revoke or change an
11 election of an option no later than 30 days from the date of the
12 member's initial disability retirement benefit payment.

13 (d) If a member dies prior to electing an unmodified allowance
14 or an option, the death benefits shall be payable under Chapter 23
15 (commencing with Section 23850), regardless of whether the
16 disability retirement application is or would have been approved.

17 ~~SEC. 44.~~

18 *SEC. 46.* Section 24302 of the Education Code is amended and
19 renumbered to read:

20 24311. Upon termination of a service retirement allowance
21 pursuant to Section 24208, any option elected pursuant to Section
22 24300 or 24300.1 and in effect at the time of reinstatement shall
23 be considered to be a preretirement election of an option elected
24 as of the effective date of the most recent retirement and shall be
25 subject to the same provisions as an option elected under Section
26 24307.

27 ~~SEC. 45.~~

28 *SEC. 47.* Section 24303 of the Education Code is amended and
29 renumbered to read:

30 24312. Termination of the service retirement allowance
31 pursuant to Section 24208 shall not cancel an option elected under
32 the provisions of Section 24307. The effective date of the option
33 shall remain the original election date pursuant to Section 24307.

34 ~~SEC. 46.~~

35 *SEC. 48.* Section 24304 of the Education Code is amended and
36 renumbered to read:

37 24333. Upon termination of a disability retirement allowance
38 pursuant to Section 24117, any option elected at the time of
39 retirement pursuant to Section 24332 shall be void as of the
40 effective date of the reinstatement. The preretirement election of

option subsequent to termination of the allowance pursuant to Section 24117 shall be subject to the following:

(a) A member may not make a preretirement election of option pursuant to Section 24307 prior to becoming qualified to make application for service retirement under Section 24201 or ~~Section 24203~~.

(b) A member who was receiving an unmodified disability retirement allowance prior to termination of the allowance may not make a preretirement election of option earlier than six months following the date on which the disability retirement allowance was terminated pursuant to Section 24117.

(c) A member who has elected an option pursuant to Section 24332, and is otherwise eligible to make a preretirement election of an option, may make the election anytime during the six months following the date on which the disability retirement allowance was terminated pursuant to Section 24117. The member shall elect the same option and designate the same option beneficiary as designated under Section 24332 when making the election during the six-month period following the date the disability retirement allowance was terminated.

~~SEC. 47.~~

SEC. 49. Section 24305 of the Education Code is amended and renumbered to read:

24322. (a) An option elected under Section 24300, 24300.1, or 24307 may be canceled by a retired member if the option beneficiary is the retired member's spouse or former spouse and a final decree of dissolution of marriage or a judgment of nullity has been entered or an order of separate maintenance has been made on or after January 1, 1978, by a court of competent jurisdiction. A retired member may cancel the option before or after issuance of the first retirement allowance payment.

(b) The retired member shall notify the board in writing of cancellation of the option. Notification shall not be earlier than the effective date of the decree, judgment, or order and shall include a certified copy of the final decree of dissolution, or judgment of nullity, or an order of separate maintenance, and any property settlement agreement.

(c) Upon notification to the board, the retired member may elect:

(1) to receive the unmodified retirement allowance from the date of receipt of the notification; or (2) a new joint and survivor option

1 under Section 24300.1 and may designate one or multiple new
2 option beneficiaries. Modification of the retirement allowance
3 because of the newly elected option or newly designated
4 beneficiary or beneficiaries shall be based on the ages of the retired
5 member and the new option beneficiary or beneficiaries as of the
6 effective date of the new option. The election of a new joint and
7 survivor option or the designation of a new option beneficiary or
8 beneficiaries shall be consistent with the final decree of dissolution,
9 judgment of nullity, order of separate maintenance, or property
10 settlement agreement, and shall not result in any additional liability
11 to the Teachers' Retirement Fund. The effective date of the change
12 shall be the date notification is received by the board.

13 ~~SEC. 48.~~

14 *SEC. 50.* Section 24305.3 of the Education Code, as amended
15 by Section 39 of Chapter 655 of the Statutes of 2006, is amended
16 and renumbered to read:

17 24324. (a) A member who is receiving a joint and survivor
18 annuity under the Defined Benefit Supplement Program may
19 change the annuity or the annuity beneficiary elected pursuant to
20 Section 25011, 25011.1, 25018, or 25018.1, provided all of the
21 following conditions are met:

22 (1) The annuity beneficiary is the member's spouse or former
23 spouse.

24 (2) A final decree of dissolution of marriage is granted, or a
25 judgment of nullity is entered, or an order of separate maintenance
26 is made by a court of competent jurisdiction with respect to the
27 member and the spouse or former spouse on or after the beginning
28 of the initial plan year designated by the board pursuant to Section
29 22156.05.

30 (3) The change is consistent with the final decree of dissolution,
31 judgment of nullity, or order of separate maintenance.

32 (b) A member may change the annuity pursuant to subdivision
33 (a) before or after the first annuity payment is issued.

34 (c) The member shall notify the system in writing of the change
35 in the annuity. The notification shall not be earlier than the effective
36 date of the final decree of dissolution, judgment of nullity, or order
37 of separate maintenance and shall include a certified copy of the
38 final decree of dissolution, judgment of nullity, or order of separate
39 maintenance, and any property settlement agreement.

(d) A change in the annuity or annuity beneficiary or both shall become effective on the date the notification of change is received by the system. The annuity amount payable to the member upon the change elected by the member shall be determined as of the effective date of the change and shall be the actuarial equivalent of the lump sum that would otherwise be payable to the member as of the date of the change. If the member elects a joint and survivor annuity, the amount payable under the annuity shall be modified consistent with the annuity elected by the member.

~~SEC. 49.~~

SEC. 51. Section 24305.3 of the Education Code, as added by Section 56 of Chapter 74 of the Statutes of 2000, is repealed.

~~SEC. 50.~~

SEC. 52. Section 24305.5 of the Education Code is amended and renumbered to read:

24320. (a) An option elected under Section 24300 or 24300.1 may be canceled by a retired member if the option beneficiary is not the retired member's spouse or former spouse. A retired member may cancel the option before or after issuance of the first retirement allowance payment and shall designate his or her spouse as the new option beneficiary and the same or a different joint and survivor option described in Section 24300.1.

(b) The retired member shall notify the board, in writing on a properly executed form provided by the system, of the designation of the new option beneficiary. Notification shall include a certified copy of the marriage certificate and a properly executed form for the change.

(c) The effective date of the new election shall be six months following the date notification is received by the board, provided both the retired member and the new designated option beneficiary are then living. If the effective date of the new option election is on or after January 1, 2007, at the time of the new election the retired member shall elect an option from the options described in Section 24300.1. If, before the new election becomes effective, the member terminates his or her benefit pursuant to Section 24208 or the retired member or the new option beneficiary dies, the new election is void and the previous election remains in effect.

(d) The election of the option and designation of the option beneficiaries under this section and Section 24300.1 shall be subject to an actuarial modification of the retirement allowance. In no

1 event may a retired member elect a joint and survivor option that
2 would result in any additional liability to the fund. A retired
3 member may not elect the compound option described in paragraph
4 (4) of subdivision (a) of Section 24300.1. Modification of the
5 retirement allowance because of the new option beneficiary and
6 the new option shall be based on the ages of the retired member
7 and the new option beneficiary as of the effective date of the new
8 election.

9 ~~SEC. 51.~~

10 *SEC. 53.* Section 24306 of the Education Code is amended and
11 renumbered to read:

12 24323. (a) If an option beneficiary designated in the election
13 of an Option 2 or Option 3 as described in Section 24300
14 predeceases the retired member, the retired member may elect a
15 new joint and survivor option described in paragraph (1), (2), (3),
16 or (4) of subdivision (a) of Section 24300.1 and designate one or
17 multiple new option beneficiaries.

18 (b) If an option beneficiary designated in the election of an
19 Option 4 or Option 5 as described in Section 24300 predeceases
20 the retired member, a retirement allowance adjusted for the
21 specified option shall be payable to the retired member and shall
22 commence to accrue to the retired member as of the day following
23 the date of the death of the option beneficiary. The retired member
24 may elect a new joint and survivor option described in paragraph
25 (1), (2), (3), or (4) of subdivision (a) of Section 24300.1 and
26 designate one or multiple new option beneficiaries.

27 (c) If an option beneficiary designated in the election of Option
28 2 or Option 3 within Option 8 as described in Section 24300,
29 predeceases the retired member, the retired member may elect a
30 new joint and survivor option described in paragraph (1), (2), or
31 (3) of subdivision (a) of Section 24300.1 and designate a new
32 option beneficiary for the portion of the retirement allowance that
33 was modified for the prior option beneficiary. The retired member
34 may not elect the compound option described in paragraph (4) of
35 subdivision (a) of Section 24300.1.

36 (d) If an option beneficiary designated in the election of Option
37 4 or *Option* 5 within Option 8 as described in Section 24300
38 predeceases the retired member, a retirement allowance adjusted
39 for the specified option for the portion of the benefit allocated to
40 that beneficiary shall be payable to the retired member and shall

1 commence to accrue to the retired member as of the day following
2 the date of the death of the option beneficiary. The retired member
3 may elect a new joint and survivor option described in paragraph
4 (1), (2), or (3) of subdivision (a) of Section 24300.1 for that portion
5 of the retirement allowance that was modified for the prior option
6 beneficiary and designate a new option beneficiary. The retired
7 member may not elect the compound option described in paragraph
8 (4) of subdivision (a) of Section 24300.1.

9 (e) If an option beneficiary designated in the election of an
10 Option 6 or Option 7 or in the election of Option 6 or Option 7
11 within Option 8, pursuant to Section 24300 predeceases the retired
12 member, that portion of the retirement allowance attributable to
13 Option 6 or Option 7 without modification for the option shall be
14 payable to the retired member upon notification to the board and
15 shall commence to accrue to the retired member as of the day
16 following the date of the death of the option beneficiary. The retired
17 member may designate a new beneficiary for that portion of the
18 retirement allowance within the same option designated for the
19 prior beneficiary.

20 (f) If an option beneficiary designated in the election of an
21 option pursuant to paragraph (1), (2), (3), or (4) of subdivision (a)
22 of Section 24300.1 predeceases the *retired* member, that portion
23 of the retirement allowance attributable to the option without
24 modification for the option shall be payable to the member upon
25 notification to the board and shall commence to accrue to the
26 retired member as of the day following the date of the death of the
27 option beneficiary. ~~Notification to the board shall include proof~~
28 ~~of death of the beneficiary.~~ The retired member may designate a
29 new beneficiary for that portion of the retirement allowance within
30 the same option designated for the prior beneficiary.

31 (g) The retired member shall submit proof of death of the prior
32 beneficiary before making a new beneficiary election under this
33 section. The effective date of any new election under this section
34 shall be six months following the date notification is received by
35 the board provided both the retired member and the newly
36 designated option beneficiary are living *on* the date the new
37 election is to become effective. Notification shall be on a properly
38 executed form prescribed by the system for the new designation.

1 (h) If, before the new election becomes effective, the member
2 reinstates pursuant to Section 24208 or the retired member or new
3 option beneficiary dies, the new election is void.

4 (i) If the retired member is eligible to elect a new option and
5 the effective date of the new option election is on or after January
6 1, 2007, at the time of the new election the retired member shall
7 elect an option from the options described in Section 24300.1.

8 (j) The election of the new joint and survivor option under this
9 section and Section 24300.1 is subject to an actuarial modification
10 of the retirement allowance. In no event may a retired member
11 elect a joint and survivor option that would result in any additional
12 liability to the fund.

13 (k) The new option beneficiary cannot be an existing option
14 beneficiary for that member designated under paragraph (7) of
15 subdivision (a) of Section 24300 or paragraph (4) of subdivision
16 (a) of Section 24300.1.

17 ~~SEC. 52.~~

18 *SEC. 54.* Section 24306.5 of the Education Code is amended
19 and renumbered to read:

20 24341. (a) A member who retired for service under Option 2
21 or Option 3 with an effective date prior to January 1, 1991, may
22 elect to change Option 2 to Option 6 or Option 3 to Option 7 under
23 all of the following conditions:

24 (1) The election is made during the six-month period
25 commencing July 1, 1994, and ending December 31, 1994.

26 (2) The same beneficiary under Option 2 or Option 3 is named
27 as beneficiary under Option 6 or Option 7.

28 (3) The change in options is consistent with Sections 22453 and
29 24322.

30 (4) The option beneficiary is not afflicted with any known
31 terminal illness and the retired member shall state under penalty
32 of perjury that to the best of his or her knowledge the option
33 beneficiary is not afflicted with any known terminal illness.

34 (5) The option beneficiary has not predeceased the retired
35 member as of the effective date of the change in options.

36 (b) The change in options shall be effective on the date the
37 election is signed, provided that the election is received at the
38 system's headquarters office within 30 days after the date of the
39 signature.

(c) If an election to change options is made pursuant to this section, the modified allowance shall be reduced in a manner determined by the board to ensure that no additional liability shall be incurred by the plan pursuant to this section.

~~SEC. 53.~~

SEC. 55. Section 24306.7 of the Education Code is amended and renumbered to read:

~~24324.~~

24342. (a) Any member who retired for service under Option 4 or Option 5 with an effective date prior to January 1, 1991, may elect to change Option 4 to Option 6 or Option 5 to Option 7 if all of the following conditions are met:

(1) The election is made during the three-month period commencing January 1, 1999, and ending March 31, 1999.

(2) The same beneficiary under Option 4 or Option 5 is named as beneficiary under Option 6 or Option 7.

(3) The change in options is consistent with Sections 22453 and 24322.

(4) The option beneficiary is not afflicted with any known terminal illness.

(5) The option beneficiary has not predeceased the retired member as of the effective date of the change in option.

(6) The election to change the option under this section is received at the system's headquarters office at least 30 days prior to the death of the option beneficiary.

(b) Failure to satisfy all of the conditions in subdivision (a) shall render the change of election invalid.

(c) The change in options under this section shall be effective on the date the election is signed, provided all the conditions set forth in subdivision (a) are satisfied and the election is received at the system's headquarters office within 30 days after the date of the signature.

(d) The election of a new joint and survivor option under this section is subject to a further modification of the modified retirement allowance. In no event may a retired member elect a joint and survivor option that would result in any additional liability to the fund.

~~SEC. 54.~~

SEC. 56. Section 24307 of the Education Code is amended to read:

24307. (a) A member who qualifies to apply for retirement under Section 24201 or 24203 may make a preretirement election of an option, as provided in Section 24300.1 without right of revocation or change after the benefit effective date, except as provided in this part. The preretirement election of an option shall become effective as of the date of the member's signature on a properly executed form prescribed by the system, subject to the following requirements:

(1) The form includes the signature of the member's spouse or registered domestic partner, if applicable, and the signature is dated.

(2) The date the form is received at the system's headquarters office is within 30 days after the date of the member's signature and, if applicable, the spouse's or registered domestic partner's signature.

(b) A member who makes a preretirement election of an Option 2, Option 3, Option 4, Option 5, Option 6, or Option 7 pursuant to Section 24300, or an election as described in paragraph (1), (2), or (3) of Section 24300.1 may subsequently make a preretirement election of the compound option described in paragraph (4) of subdivision (a) of Section 24300.1. The member may retain the same option and the same option beneficiary as named in the prior preretirement election for a designated percentage within the compound option.

(c) Upon the member's death prior to the benefit effective date, the beneficiary who was designated under the option elected and who survives shall receive an allowance calculated under the option, under the assumption that the member retired for service pursuant to Chapter 27 (commencing with Section 24201) on the date of death. The payment of the allowance to the option beneficiary shall be in lieu of the family allowance provided in Section 23804, the payment provided in paragraph (1) of subdivision (a) of Section 23802, the survivor benefit allowance provided in Section 23854, and the payment provided in subdivisions (a) and (b) of Section 23852, except that if the beneficiary dies before all of the member's accumulated retirement contributions are paid, the balance, if any, shall be paid to the estate of the person last receiving or entitled to receive the allowance. The accumulated annuity deposit contributions and the death

1 payment provided in Sections 23801 and 23851 shall be paid to
2 the beneficiary in a lump sum.

3 (d) If the member subsequently retires for service, and the
4 elected option has not been canceled pursuant to Section 24309,
5 a modified service retirement allowance computed under Section
6 24300 or 24300.1 and the option elected shall be paid.

7 (e) The amount of the service retirement allowance prior to
8 applying the option factor shall be calculated as of the earlier of
9 the member's age at death before retirement or age on the last day
10 of the month in which the member requested service retirement
11 be effective. The modification of the service retirement allowance
12 by the option elected shall be based on the ages of the member
13 and the beneficiary designated under the option, as of the date the
14 election was signed.

15 (f) A member who terminates the service retirement allowance
16 pursuant to Section 24208 shall not be eligible to file a
17 preretirement election of an option until one calendar year elapses
18 from the date the allowance is terminated. If the member retires
19 again within one calendar year of the termination of their benefit
20 pursuant to Section 24208, the retired member shall keep, upon
21 subsequent retirement, the option and beneficiary or the unmodified
22 election in place upon the date the termination of the benefits
23 became effective.

24 (1) If the member's option beneficiary or beneficiaries
25 predecease the member within one calendar year of the termination
26 of benefits and before the member has retired again, upon
27 notification to the system, the system shall ~~remove~~ *cancel* the
28 option and beneficiary from that portion of the benefit with
29 ~~modification~~ *reduction* pursuant to Section ~~24307.5~~ 24309. The
30 member shall not elect a new option or beneficiary *pursuant to*
31 *Section 24310* until one calendar year from the termination
32 effective date has elapsed.

33 (2) If a final decree of dissolution of marriage or a judgment of
34 nullity has been entered or an order of separate maintenance has
35 been made within one calendar year of the termination of benefits
36 and the member has not retired again, upon notification to the
37 system, the system shall ~~remove~~ *cancel* or change the option
38 election in accordance with the court order with ~~modification~~
39 *reduction* pursuant to Section ~~24307.5~~ 24309. Any additional

1 changes shall not be made until one calendar year from the
2 termination effective date has elapsed.

3 (g) The system shall inform members who are qualified to make
4 a preretirement election of an option, through the annual statements
5 of account, that the election of an option can be made.

6 ~~SEC. 55.~~

7 *SEC. 57.* Section 24308 of the Education Code is amended and
8 renumbered to read:

9 24330. (a) The election of an option as provided in Section
10 24307 shall preclude the payment of a family allowance to any
11 beneficiary under this part.

12 (b) The preretirement election of an option made by the member
13 pursuant to Section 24307 shall be voided by the board as of the
14 effective date of an approved disability retirement under this part.
15 Members receiving a disability retirement allowance pursuant to
16 Chapter 26 (commencing with Section 24100) may not file an
17 election of option as provided in Section 24307.

18 (c) The election of an option as provided in Section 24307 shall
19 preclude the payment of a survivor benefit allowance pursuant to
20 Chapter 23 (commencing with Section 23850) and shall preclude
21 the payment of the remaining balance of the member's accumulated
22 retirement contributions prior to the death of the option beneficiary.

23 ~~SEC. 56.~~

24 *SEC. 58.* Section 24309 of the Education Code is amended to
25 read:

26 24309. (a) A member may change or cancel the election of an
27 option made pursuant to Section 24307. The change or cancellation
28 shall be on a properly executed form provided by the system and
29 received at the system's headquarters office within 30 days after
30 the date of the member's signature and, if applicable, the spouse's
31 signature, and no later than 30 days from the date the member's
32 initial benefit payment for the member's most recent retirement
33 under the Defined Benefit Program is paid by the system. The
34 change or cancellation shall become effective as of the date of the
35 member's signature or the day prior to the member's benefit
36 effective date, whichever is earlier.

37 (1) Any change to an election of an option shall be made
38 according to Section 24307 and shall be considered a new
39 preretirement election of an option.

(2) Regardless of how the member elects to receive his or her retirement allowance, a change made to an election of an option or a cancellation of an option shall result in the reduction of that allowance by an amount determined by the board to be the actuarial equivalent of the coverage the member received as a result of the preretirement election and that does not result in any adverse funding to the plan.

(b) If the option beneficiary designated in the preretirement election of an option pursuant to Section 24307 dies prior to the member's retirement, the preretirement election shall be canceled as of the day following the date of death and the member's subsequent retirement allowance under this part shall be subject to the allowance reduction prescribed in this section.

(c) If the option elected pursuant to Section 24307 is "Option 8" as described in paragraph (7) of subdivision (a) of Section 24300 or the compound option as described in paragraph (4) of subdivision (a) of Section 24300.1, a member may cancel the designation of an option beneficiary. If the member cancels the designation of the option beneficiary or the option beneficiary predeceases the member prior to the member's retirement, the member may elect to receive that portion of the retirement allowance without modification for the option or elect one or multiple new or existing option beneficiaries as described in Section 24307. Any change or cancellation of the designation of the option beneficiary under this subdivision shall result in the allowance reduction prescribed in this section.

SEC. 59. Section 24310 of the Education Code is amended to read:

24310. ~~If a member cancels an election of an option is canceled under Section 24309, the member may again elect an option under Section 24307. If the member elects to change an election of an option is changed or canceled during any year, the reduction for that year shall be that for the option to which the greater reduction under Section 24309 as it read on December 31, 1995, is applicable.~~

~~SEC. 57.~~

SEC. 60. Section 24311 of the Education Code is amended and renumbered to read:

24340. (a) A member who has a preretirement election of an option in effect on December 31, 1990, may change his or her preretirement election of Option 2, Option 3, Option 4, or Option

1 5 to either Option 6 or Option 7 without the allowance reduction
2 prescribed in Sections 24309 and 24310, provided the change is
3 made on or after January 1, 1991, and prior to the earlier of January
4 1, 1992, or the member's retirement under this part.

5 (b) If the member elects to change his or her option under this
6 section, then the member shall retain the same option beneficiary
7 as named in the prior preretirement election. The election to change
8 the preretirement election under this section shall be void if not
9 received in the system's headquarters office at least 30 days prior
10 to the death of the option beneficiary.

11 ~~SEC. 58.~~

12 *SEC. 61.* Section 24312 of the Education Code is amended and
13 renumbered to read:

14 24344. (a) A member who has a preretirement election of an
15 option in effect on December 31, 1999, may change his or her
16 preretirement election of Option 2, Option 3, Option 4, Option 5,
17 Option 6, or Option 7 to Option 8 without the allowance reduction
18 prescribed in Sections 24309 and 24310, provided the change is
19 made on or after January 1, 2000, and prior to the earlier of July
20 1, 2000, or the member's benefit effective date.

21 (b) If the member elects to change his or her option under this
22 section then the member shall retain the same option and the same
23 option beneficiary as named in the prior preretirement election of
24 an option as one of the options under Option 8. The election to
25 change the preretirement election under this section shall be void
26 if not received in the system's headquarters office at least 30 days
27 prior to the death of the option beneficiary.

28 (c) This section shall become operative on January 1, 2000.

29 ~~SEC. 59.~~

30 *SEC. 62.* Section 24312.1 of the Education Code is amended
31 and renumbered to read:

32 24346. (a) A member who has a preretirement election of an
33 option in effect on December 31, 2006, pursuant to paragraphs (1)
34 to (6), inclusive, of subdivision (a) of Section 24300 may change
35 his or her preretirement election to an option described in paragraph
36 (1), (2), or (3) of subdivision (a) of Section 24300.1 without the
37 allowance reduction described in Sections 24309 and 24310,
38 provided the change is made on or after January 1, 2007, and prior
39 to July 1, 2007.

(b) A member who has a preretirement election of Option 8 as described in Section 24300 in effect on December 31, 2006, and in that Option 8 election has an option pursuant to paragraphs (1) to (6), inclusive, of subdivision (a) of Section 24300, may change any of the options under paragraphs (1) to (6), inclusive, of subdivision (a) of Section 24300 to an option described in paragraph (1), (2), or (3) of subdivision (a) of Section 24300.1 without the allowance reduction described in Sections 24309 and 24310, if change is made on or after January 1, 2007, and prior to July 1, 2007. A member may not change the portion of the unmodified benefit that would be modified pursuant to that prior option.

(c) The election to change the option by a member as described in this section shall be subject to all of the following:

(1) The member may not change the option beneficiary that was designated in the prior preretirement option election.

(2) The change in options under this section shall be effective on the date the election is signed, provided that the election is on a properly executed form provided by the system and received at the system's headquarters office within 30 days of the date of the signature.

(d) If the member elects to change options as described in this section, the age of the member and the option beneficiary on the effective date of the prior preretirement option election shall be the age used to calculate the member's benefit at the time of retirement.

~~SEC. 60.~~

SEC. 63. Section 24313 of the Education Code is amended and renumbered to read:

24343. (a) Any member who retired for service under Option 2 or Option 3 with an effective date prior to January 1, 1991, whose option beneficiary had died prior to January 1, 1995, shall receive, effective January 1, 1999, the retirement allowance without modification for the option if all of the following conditions are met:

(1) The retired member is living as of January 1, 1999.

(2) The retired member has not elected a new option beneficiary under Section 24323.

(3) The retirement allowance without modification for the option payable as of January 1, 1999, is greater than the amount payable

1 under the option, plus the amounts from annual benefit
2 improvements, ad hoc benefit ~~increases~~ *increases*, and payments
3 from the Supplemental Benefit Maintenance Account.

4 (4) The retired member does not inform the system in writing,
5 on a form provided by the system, within 30 days of receipt of the
6 notification of the change to the retirement allowance without
7 modification for the option, of his or her election to continue to
8 receive the option allowance.

9 (b) Any member who retired for service under Option 4 or
10 Option 5 with an effective date prior to January 1, 1991, whose
11 option beneficiary had died prior to January 1, 1999, shall receive
12 effective January 1, 1999, the retirement allowance without
13 modification for the option if all the following conditions are met:

14 (1) The retired member is living as of January 1, 1999.

15 (2) The retired member has not elected a new option beneficiary
16 under Section 24323.

17 (3) The retirement allowance without modification for the option
18 payable as of January 1, 1999, is greater than the amount payable
19 under the option, plus the amount from annual benefit
20 improvements, ad hoc benefit ~~increases~~ *increases*, and payments
21 from the Supplemental Benefit Maintenance Account.

22 (4) The retired member does not inform the system in writing,
23 on a form provided by the system, within 30 days of receipt of the
24 notification of the change to the retirement allowance without
25 modification for the option, of his or her election to continue to
26 receive the option allowance.

27 (c) The change to the retirement allowance without modification
28 for the option; shall be consistent with Section 22453.

29 (d) A member retired for service who receives the retirement
30 allowance without modification for the option provided under this
31 section; shall not elect a new option beneficiary under Section
32 24323.

33 (e) The cost of this section shall be paid by the transfer for that
34 purpose of the one-time gain accrued to the State Teachers'
35 Retirement System from the difference between the contributions
36 received pursuant to Sections 22901 and 22950 in the 1997–98
37 fiscal year minus the normal cost as displayed in the June 30, 1997,
38 actuarial valuation.

39 *SEC. 64. Section 24347 is added to the Education Code, to*
40 *read:*

1 24347. (a) A member who retired and elected an option
2 pursuant to Section 24300.1 and designated his or her same-sex
3 spouse as option beneficiary may elect to change his or her option
4 subject to the following:

5 (1) A member who elected the 100 percent beneficiary option
6 or the 50 percent beneficiary option may elect to change his or
7 her option to the 75 percent beneficiary option described in
8 paragraph (7) of subdivision (a) of Section 24300.1, provided the
9 member's same-sex spouse is more than exactly 19 year younger
10 than the member.

11 (2) (A) A member who elected the compound option may elect
12 to change the option designated for his or her same-sex spouse
13 within the compound option to the 100 percent beneficiary option
14 described in paragraph (1) of subdivision (a) of Section 24300.1,
15 provided the member's same-sex spouse is more than exactly 10
16 years younger than the member, or the 75 percent beneficiary
17 option described in paragraph (2) of subdivision (a) of Section
18 24300.1, provided the member's same-sex spouse is more than
19 exactly 19 years younger than the member.

20 (B) If a member elects to change the option designated for his
21 or her same-sex spouse within the compound option, the member
22 may also elect to change the option designated to any other option
23 beneficiary or beneficiaries within the compound option to the 100
24 percent beneficiary option, the 75 percent beneficiary option, or
25 the 50 percent beneficiary option described in paragraph (1), (2),
26 or (3) of subdivision (a) of Section 24300.1.

27 (C) If a member elects to change the option designated for his
28 or her same-sex spouse within the compound option, the member
29 may also elect to change the percentage of his or her unmodified
30 allowance designated to the option beneficiary or beneficiaries.
31 The percent of the allowance that is not modified by an option, if
32 any, shall be payable to the member. The sum of all percentage
33 specified for the option beneficiary or beneficiaries and the
34 member's remaining unmodified allowance, if any, shall equal
35 100 percent.

36 (D) Any change made pursuant to this paragraph shall be
37 subject to the requirements and restrictions of the compound option
38 described in paragraph (4) of subdivision (a) of Section 24300.1
39 and shall not be construed to allow a member to cancel his or her
40 compound option.

1 (3) *The option change made by the member pursuant to this*
2 *section is made on or after January 1, 2015, and prior to July 1,*
3 *2015.*

4 (4) *The member is in a same-sex marriage recognized by the*
5 *United State government, any state government, or any foreign*
6 *government and elected his or her same-sex spouse as his or her*
7 *option beneficiary prior to June 26, 2013.*

8 (5) *The member designates the same option beneficiary or*
9 *beneficiaries that were designated for the prior option elected by*
10 *the member.*

11 (6) *The option beneficiary or beneficiaries have not predeceased*
12 *the member as of the effective date of the option change made by*
13 *the member pursuant to this section.*

14 (b) *The option change made by a member pursuant to*
15 *subdivision (a) shall become effective as of the member's signature*
16 *date on a properly executed form provided by the system subject*
17 *to the following requirements:*

18 (1) *The form includes the signature of the member's same-sex*
19 *spouse and the signature is dated.*

20 (2) *The date the form is received at the system's headquarters*
21 *office is within 30 calendar days after the date of the member's*
22 *signature and within 30 calendar days after the date of the*
23 *same-sex spouse's signature.*

24 (3) *The date of the member's signature and the date of the*
25 *same-sex spouse's signature are on or after January 1, 2015 and*
26 *prior to July 1, 2015.*

27 (c) *After receipt of the member's election, the system shall mail*
28 *an acknowledgment notice to the member that set forth the new*
29 *option elected by the member.*

30 (d) *A member may cancel an option change made pursuant to*
31 *subdivision (a) and elect to receive his or her benefit according*
32 *to his or her prior option election provided the requirements of*
33 *paragraphs (5) and (6) of subdivision (a) are still met. The*
34 *cancellation shall become effective as of the member's signature*
35 *date on the initial option change made by the member pursuant*
36 *to subdivision (a) subject to the following requirements:*

37 (1) *The cancellation is made on a properly executed form*
38 *provided by the system.*

39 (2) *The form includes the signature of the member and his or*
40 *her same-sex spouse and the signatures are dated.*

1 (3) *The form is received at the system's headquarters office*
2 *within 30 calendar days after the date of the acknowledgment*
3 *notice described in subdivision (c).*

4 (e) *A member may cancel an initial option change made*
5 *pursuant to subdivision (a) and elect to make one subsequent*
6 *change from his or her option election to any other option provided*
7 *by and subject to the restrictions of subdivision (a). The subsequent*
8 *change shall become effective as of the member's signature date*
9 *on the initial option change made by the member pursuant to*
10 *subdivision (a) and subject to the following requirements:*

11 (1) *The cancellation and subsequent change are made on a*
12 *properly executed form provided by the system.*

13 (2) *The form includes the signature of the member and his or*
14 *her same-sex spouse and the signatures are dated.*

15 (3) *The form is received at the system's headquarters office*
16 *within 30 calendar days after the date of the acknowledgment*
17 *notice described in subdivision (c).*

18 (f) *If a member elects to change his or her option as described*
19 *in subdivision (a) or (e), the retirement allowance of the member*
20 *shall be modified in a manner determined by the board to prevent*
21 *any additional liability to the plan.*

22 (g) *A member shall not change options in derogation of a*
23 *spouse's or former spouse's community property rights as specified*
24 *in a court order.*

25 ~~SEC. 61.~~

26 SEC. 65. Section 24348 is added to the Education Code, to
27 read:

28 24348. (a) A member who has a preretirement option pursuant
29 to Section 24307 in effect on June 26, 2013, and designated his or
30 her same-sex spouse as option beneficiary may elect to change his
31 or her option subject to the following:

32 (1) A member who elected the 100 percent beneficiary option
33 or the 50 percent beneficiary option may elect to change his or her
34 option to the 75 percent beneficiary option described in paragraph
35 (2) of subdivision (a) of Section 24300.1 provided the member's
36 same-sex spouse is more than exactly 19 years younger than the
37 member.

38 (2) (A) A member who elected the compound option may elect
39 to change the option designated for his or her same-sex spouse
40 within the compound option to the 100 percent beneficiary option

1 described in paragraph (1) of subdivision (a) of Section 24300.1
2 provided the member's same-sex spouse is more than exactly 10
3 years younger than the member, or the 75 percent beneficiary
4 option described in paragraph (2) of subdivision (a) of Section
5 24300.1 provided the member's same-sex spouse is more than
6 exactly 19 years younger than the member.

7 (B) If a member elects to change the option designated for his
8 or her same-sex spouse within the compound option, the member
9 may also elect to change the option designated to any other option
10 beneficiary or beneficiaries within the compound option to the 100
11 percent beneficiary option, the 75 percent beneficiary option, or
12 the 50 percent beneficiary option described in paragraph (1), (2),
13 or (3) of subdivision (a) of Section 24300.1.

14 (C) If a member elects to change the option designated for his
15 or her same-sex spouse within the compound option, the member
16 may also elect to change the percentage of his or her unmodified
17 allowance designated to the option beneficiary or beneficiaries.
18 The percent of the allowance that is not modified by an option, if
19 any, shall be payable to the member. The sum of all percentages
20 specified for the option beneficiary or beneficiaries and the
21 member's remaining unmodified allowance, if any, shall equal
22 100 percent.

23 (D) Any change made pursuant to this paragraph shall be subject
24 to the requirements and restrictions of the compound option
25 described in paragraph (4) of subdivision (a) of Section 24300.1
26 and shall not be construed to allow a member to cancel his or her
27 compound option.

28 (3) The option change made by the member pursuant to this
29 section is made on or after January 1, 2015, and prior to ~~June 30,~~
30 *July 1*, 2015.

31 (4) The member is in a same-sex marriage recognized by the
32 United States government, any state government, or any foreign
33 government and elected his or her same-sex spouse as his or her
34 option beneficiary prior to June 26, 2013.

35 (5) The member designates the same option beneficiary or
36 beneficiaries that were designated for the prior option elected by
37 the member.

38 (6) The option beneficiary or beneficiaries have not predeceased
39 the member as of the effective date of the option change made by
40 the member pursuant to this section.

(b) The option change made by a member pursuant to subdivision (a) shall become effective as of the member's signature date on a properly executed form provided by the system subject to the following requirements:

(1) The form includes the signature of the member's same-sex spouse and the signature is dated.

(2) The date the form is received at the system's headquarters office is within 30 calendar days after the date of the member's signature and within 30 calendar days after the date of the same-sex spouse's signature.

(3) The date of the member's signature and the date of the same-sex spouse's signature are on or after January 1, 2015, and prior to ~~June 30~~; *July 1*, 2015.

(c) A preretirement option change made pursuant to this section will not result in the allowance reduction described in Sections 24309 and 24310.

(d) If a member elects to change options pursuant to this section, the age of the member and the option beneficiary or beneficiaries on the effective date of the prior preretirement option election shall be the age used to calculate the member's benefit at the time of retirement.

~~SEC. 62.~~

SEC. 66. Section 24402 of the Education Code is amended to read:

24402. (a) Service retirement allowances, disability allowances, disability retirement allowances, family allowances, and survivor benefit allowances payable pursuant to this part shall be increased by application of the benefit improvement factor.

(b) Allowances payable to beneficiaries on account of options elected under Section 24300, 24300.1, 24307, or 24332 shall be increased by application of the improvement factor. This factor shall be applicable on the same date when it would have been applied to the allowance of the deceased person.

(c) The benefit improvement factor shall not be applied to an annuity that is the actuarial equivalent of the accumulated annuity deposit contributions standing to the credit of the member's account on the effective date of a service or disability retirement.

~~SEC. 63.~~

SEC. 67. Section 24412 of the Education Code is amended to read:

1 24412. (a) The annual revenues deposited to the Teachers'
2 Retirement Fund pursuant to Section 6217.5 of the Public
3 Resources Code are continuously appropriated without regard to
4 fiscal year for the purposes of this section and shall be distributed
5 annually in quarterly supplemental payments commencing on
6 September 1 of each year to retired members, disabled members,
7 and beneficiaries under the Defined Benefit Program. The amount
8 available for distribution in any year shall be the income for that
9 year from the sale or use of school lands and lieu lands, as
10 estimated by the State Lands Commission prior to the beginning
11 of the fiscal year, adjusted by the difference between the estimated
12 and actual income for the preceding fiscal year. The board shall
13 deduct from the revenues an amount necessary for administrative
14 expenses to implement this section.

15 (b) The net revenues to be distributed shall be allocated among
16 those retired members, disabled members, and beneficiaries, as
17 defined in subdivision (a) of Section 22107, whose allowances
18 under the Defined Benefit Program, after applying the annual
19 improvement factor as defined in Section 22140, if any, are below
20 80 percent of the purchasing power of the base allowance. The
21 purchasing power calculation for each individual allowance shall
22 be based on the change in the All Urban California Consumer Price
23 Index between June of the calendar year of retirement and June of
24 the fiscal year preceding the fiscal year of the distribution. The
25 allocation shall provide a pro rata share of the amount needed to
26 restore the allowance payable, after application of the current year
27 annual improvement factor to 80 percent of the purchasing power
28 of the base allowance.

29 (c) The allowance increase shall not be applicable to annuities
30 payable from the accumulated annuity deposit contributions or the
31 accumulated tax-sheltered annuity contributions.

32 (d) In any year that the net revenues from school lands and lieu
33 lands is greater than that needed to adjust the allowances of all
34 retired members, disabled members, and beneficiaries, as defined
35 in subdivision (a) of Section 22107, under the Defined Benefit
36 Program to 80 percent of the purchasing power of the base
37 allowance, the net revenues in excess of that needed for distribution
38 shall be used by the board to reduce the unfunded actuarial
39 obligation of the fund, if any.

1 (e) The board shall inform each recipient of supplemental
2 payments under this section that the increases are not cumulative
3 and are not part of the base allowance.

4 ~~SEC. 64.~~

5 *SEC. 68.* Section 24415 of the Education Code is amended to
6 read:

7 24415. (a) The proceeds of the Supplemental Benefit
8 Maintenance Account shall be distributed annually in quarterly
9 supplemental payments commencing on September 1, 1990, to
10 retired members, disabled members, and beneficiaries, as defined
11 in subdivision (a) of Section 22107. The amount available for
12 distribution in any fiscal year shall not exceed the amount necessary
13 to restore purchasing power up to 85 percent of the purchasing
14 power of the base allowance, after the application of all allowance
15 increases authorized by this part, including those specified in
16 Section 24412, and excluding those provided pursuant to Sections
17 24410.5, 24410.6, and 24410.7.

18 (b) The net revenues to be distributed shall be allocated among
19 those retired members, disabled members, and beneficiaries, as
20 defined in subdivision (a) of Section 22107, whose allowances,
21 after sequentially applying the annual improvement factor as
22 defined in Sections 22140 and 22141, and the annual supplemental
23 payment as specified in Section 24412, have the lowest purchasing
24 power percentage. The purchasing power calculation for each
25 individual shall be based on the change in the All Urban California
26 Consumer Price Index between June of the calendar year of
27 retirement and June of the fiscal year preceding the fiscal year of
28 distribution. In any year in which the purchasing power of the
29 allowances of all retired members, disabled members, and
30 beneficiaries, as defined in subdivision (a) of Section 22107, equals
31 not less than 85 percent and additional funds remain from the
32 allocation authorized by this section, those funds shall remain in
33 the Supplemental Benefit Maintenance Account for allocation in
34 future years.

35 (c) The allowance increase shall not be applicable to annuities
36 payable from the accumulated annuity deposit contributions or the
37 accumulated tax-sheltered annuity contributions.

38 (d) The increases provided by subdivision (b) are not cumulative,
39 not part of the base allowance, and will be payable only to the
40 extent that funds are available from the Supplemental Benefit

1 Maintenance Account. The board shall inform each recipient of
2 the contents of this subdivision.

3 (e) The adjustments authorized by this section are vested only
4 up to the amount payable as a result of the annual appropriation
5 made pursuant to Section 22954 and the adjustments made by the
6 board pursuant to Section 24415.5. The adjustments authorized
7 by this section shall not be included in the base allowance for
8 purposes of calculating the annual improvement defined by
9 Sections 22140 and 22141.

10 (f) Notwithstanding subdivision (b), for purposes of restoring
11 the purchasing power of benefits provided pursuant to Section
12 24410.5 for members and beneficiaries receiving benefits pursuant
13 to subdivision (b), the purchasing power calculation shall be based
14 on 85 percent of the change in the All Urban California Consumer
15 Price Index between January 2000 and June of the fiscal year
16 preceding the fiscal year of distribution, after the application of
17 increases authorized by Section 24412 that are made to the
18 allowances provided pursuant to Section 24410.5.

19 (g) Notwithstanding subdivision (b), for purposes of restoring
20 the purchasing power of benefits provided pursuant to Sections
21 24410.6 and 24410.7 for members and beneficiaries receiving
22 benefits pursuant to subdivision (b), the purchasing power
23 calculation shall be based on 85 percent of the change in the All
24 Urban California Consumer Price Index between January 2001
25 and June of the fiscal year preceding the fiscal year of distribution,
26 after the application of increases authorized by Section 24412 that
27 are made to the allowances provided pursuant to Sections 24410.6
28 and 24410.7.

29 ~~SEC. 65.~~

30 *SEC. 69.* Section 24600 of the Education Code is amended to
31 read:

32 24600. (a) A retirement allowance under this part begins to
33 accrue on the effective date of the member's retirement and ceases
34 on the earlier of the day of the member's death or the day on which
35 the retirement allowance is terminated for a reason other than the
36 member's death.

37 (b) A retirement allowance payable to an option beneficiary
38 under this part begins to accrue on the day following the day of
39 the retired member's death and ceases on the day of the option
40 beneficiary's death.

1 (c) A disability allowance under this part begins to accrue on
2 the effective date of the member's disability allowance and ceases
3 on the earlier of the day of the member's death or the day on which
4 the disability allowance is terminated for a reason other than the
5 member's death.

6 (d) A family allowance under this part begins to accrue on the
7 day following the day of the member's death and ceases on the
8 day of the event that terminates eligibility for the allowance.

9 (e) A survivor benefit allowance payable to a surviving spouse
10 under this part pursuant to Chapter 23 (commencing with Section
11 23850) begins to accrue on the day the member would have
12 attained normal retirement age or on the day following the day of
13 the member's death, as elected by the surviving spouse, and ceases
14 on the day of the surviving spouse's death.

15 (f) (1) Except as provided in paragraph (2), a child's portion
16 of an allowance under this part begins to accrue on the effective
17 date of that allowance and ceases on the earlier of either the
18 termination of the child's eligibility or the termination of the
19 allowance.

20 (2) A child's portion of a disability retirement allowance under
21 Chapter 26 (commencing with Section 24100) ceases on the earlier
22 of either:

23 (A) The termination date of the child's eligibility.

24 (B) The termination of the allowance for reasons other than
25 death.

26 (g) Supplemental payments issued under this part pursuant to
27 Sections 24412 and 24415 to retired members, disabled members,
28 and beneficiaries shall begin to accrue pursuant to Sections 24412
29 and 24415 and shall cease to accrue as of the termination dates
30 specified in subdivisions (a) to (f), inclusive, of this section.

31 (h) Notwithstanding any other provision of this part or other
32 law, distributions payable under the plan with respect to the
33 Defined Benefit Program and the Defined Benefit Supplement
34 Program shall be made in accordance with applicable provisions
35 of the Internal Revenue Code of 1986 and related regulations. The
36 required beginning date of benefit payments that represent the
37 entire interest of the member in the plan with respect to the Defined
38 Benefit Program and the Defined Benefit Supplement Program
39 shall be either:

1 (1) In the case of a refund of contributions, as described in
2 Chapter 18 (commencing with Section 23100) of this part and
3 distribution of an amount equal to the balance of credits in a
4 member's Defined Benefit Supplement account, as described in
5 Chapter 38 (commencing with Section 25000) of this part, not
6 later than April 1 of the calendar year following the later of (A)
7 the calendar year in which the member attains the age at which
8 the Internal Revenue Code of 1986 requires a distribution of
9 benefits or (B) the calendar year in which the member terminates
10 employment within the meaning of subdivision (i).

11 (2) In the case of a retirement allowance, as defined in Section
12 22166, not later than April 1 of the calendar year following the
13 later of (A) the calendar year in which the member attains the age
14 at which the Internal Revenue Code of 1986 requires a distribution
15 of benefits or (B) the calendar year in which the member terminates
16 employment within the meaning of subdivision (i), to continue
17 over the life of the member or the lives of the member and the
18 member's option beneficiary, or over the life expectancy of the
19 member or the life expectancy of the member and the member's
20 option beneficiary.

21 (i) For purposes of subdivision (h), the phrase "terminates
22 employment" means the later of:

23 (1) The date the member ceases to perform creditable service
24 subject to coverage under this plan.

25 (2) The date the member ceases employment in a position
26 subject to coverage under another public retirement system in this
27 state if the compensation earnable while a member of the other
28 system may be considered in the determination of final
29 compensation pursuant to Section 22134 or 22134.5.

30 ~~SEC. 66.~~

31 *SEC. 70.* Section 25015 of the Education Code is amended to
32 read:

33 25015. (a) If a member elects to receive a benefit payable
34 under the Defined Benefit Supplement Program as a joint and
35 survivor annuity, the designation of the beneficiary made pursuant
36 to Section 24300 or 24300.1 shall apply to the benefit payable
37 under this chapter. The annuity beneficiary designation shall not
38 be changed after the date the benefit becomes payable to the
39 member, except as provided in Section 24324, 25011, 25011.1,

1 25018, or 25018.1, or Chapter 12 (commencing with Section
2 22650).

3 (b) If the member designates one or multiple option beneficiaries
4 within Option 8 pursuant to Section 24300 or the compound option
5 ~~described in paragraph (4) of subdivision (a) of~~ *pursuant to* Section
6 24300.1, the percentage of the unmodified allowance attributable
7 to each option beneficiary specified in that designation shall apply
8 to the joint and survivor annuity payable under this chapter. The
9 member shall elect one joint and survivor annuity type and this
10 annuity type shall be applied the same for each beneficiary and
11 each designated percentage of the member only annuity. If any
12 percentage of the allowance was designated to remain unmodified,
13 the member only annuity shall apply for the corresponding
14 percentage of the annuity provided under this chapter. The annuity
15 amount payable to the member during his or her lifetime shall be
16 modified to be payable over the combined lives of the member
17 and the annuity beneficiary or beneficiaries.

18 *(1) Pursuant to Section 401(a)(9) of the Internal Revenue Code,*
19 *the member shall not designate the 100 percent beneficiary annuity*
20 *type under this subdivision if any annuity beneficiary is more than*
21 *exactly 10 years younger than the member, unless that annuity*
22 *beneficiary is the member's spouse or former spouse who has been*
23 *awarded a community property interest in the member's benefits*
24 *under this part.*

25 *(2) Pursuant to Section 401(a)(9) of the Internal Revenue Code,*
26 *the member shall not designate the 75 percent beneficiary annuity*
27 *type under this subdivision if any annuity beneficiary is more than*
28 *exactly 19 years younger than the member, unless that annuity*
29 *beneficiary is the member's spouse or former spouse who has been*
30 *awarded a community property interest in the member's benefits*
31 *under this part.*

32 (c) If the member predeceases an annuity beneficiary, the
33 annuity beneficiary may designate, on a properly executed form
34 provided by the system, a payee to receive an amount that may be
35 payable in a lump sum pursuant to Section 25023 upon the death
36 of the annuity beneficiary.

37 *SEC. 71. Section 25100 of the Education Code is amended to*
38 *read:*

39 25100. (a) The board shall establish a vendor registration
40 process through which information about tax-deferred retirement

investment products as described in Section 403(b) of the Internal Revenue Code of 1986 shall be made available for consideration by public employees of all local school districts, community college districts, county offices of education, and state employees of a state employer under the uniform state payroll system, excluding the California State University System, eligible to participate in an annuity contract and custodial account as described in Section 403(b) of the Internal Revenue Code of 1986.

(b) For the purposes of this chapter, “403(b) product or 403(b) products” means tax-deferred retirement investment products as described in Section 403(b) of the Internal Revenue Code of 1986, and its subsequent amendments, and complying with applicable California insurance laws, and federal and California securities laws and rules as applied by appropriate regulatory entities.

(c) For the purposes of this chapter:

(1) “Employer” means any local school district, community college district, or county office of education, or any state employer under the uniform state payroll system, excluding the California State University System, with employees eligible to participate in an annuity contract and custodial account as described in Section 403(b) of the Internal Revenue Code of 1986, with the Controller acting on the state employer’s behalf.

(2) “Vendor” means ~~a public retirement system, broker-dealer, registered investment company, nonbank custodian, or life insurance company qualified to do business in California that provides 403(b) products~~ *any organization qualified to do business in California that offers a 403(b) product*. “Vendor” does not include individual registered representatives, brokers, financial planners, or agents.

(3) ~~“Nonbank custodian” means a fund custodian, other than a bank, that meets the criteria of a trustee specified in Section 408(a)(2) of the Internal Revenue Code.~~

(4) ~~“Broker-dealer” means only those broker-dealers who offer a proprietary 403(b) product or who charge fees that are otherwise not disclosed.~~

~~SEC. 67.~~

SEC. 72. Section 26113 of the Education Code is amended to read:

26113. (a) “Creditable service” means any of the following activities performed for an employer in a position requiring a

1 credential, certificate, or permit pursuant to this code, or under the
2 appropriate minimum standards adopted by the Board of Governors
3 of the California Community Colleges, or under the provisions of
4 an approved charter for the operation of a charter school for which
5 the charter school is eligible to receive state apportionment, or
6 pursuant to a contract between a community college district and
7 the United States Department of Defense to provide vocational
8 training:

9 (1) The work of teachers, instructors, district-~~interns~~ *interns*,
10 and academic employees employed in the instructional program
11 for pupils, including special programs such as adult education,
12 regional occupational programs, child care centers, and
13 prekindergarten programs pursuant to Section 22161.

14 (2) Education or vocational counseling, guidance, and placement
15 services.

16 (3) The work of directors, coordinators, and assistant
17 administrators who plan courses of study to be used in California
18 public schools, or research connected with the evaluation or
19 efficiency of the instructional program.

20 (4) The selection, collection, preparation, classification,
21 demonstration, or evaluation of instructional materials of any
22 course of study for use in the development of the instructional
23 program in California public schools, or other services related to
24 school curriculum.

25 (5) The examination, selection, in-service training, or assignment
26 of teachers, ~~principals~~ *principals*, or other similar personnel
27 involved in the instructional program.

28 (6) School activities related to, and an outgrowth of, the
29 instructional and guidance program of the school when performed
30 in addition to other activities described in this section.

31 (7) The work of nurses, physicians, speech therapists,
32 psychologists, audiometrists, audiologists, and other school health
33 professionals.

34 (8) Services as a school librarian.

35 (9) The work of county and district superintendents and other
36 employees who are responsible for the supervision of persons or
37 administration of the duties described in this section.

38 (10) Trustee service as described in Section 26403.

39 (b) "Creditable service" also means the work of superintendents
40 of California public schools.

1 (c) The board shall have final authority for determining
2 creditable service to cover activities not already specified.

3 ~~SEC. 68.~~

4 *SEC. 73.* Section 26803 of the Education Code is amended to
5 read:

6 26803. (a) All creditable service subject to coverage by the
7 Cash Balance Benefit Program and all service with the participant's
8 last employer or employers that is creditable under the Defined
9 Benefit Program shall be terminated prior to the retirement date.

10 (b) All employers with which the participant is employed to
11 perform creditable service subject to coverage by the plan shall
12 certify on a form prescribed by the system that the participant's
13 employment has been terminated unless the employment was
14 terminated 12 months or more prior to the member's retirement
15 date.

16 ~~SEC. 69.~~

17 *SEC. 74.* Section 27201 of the Education Code is amended to
18 read:

19 27201. (a) All creditable service subject to coverage by the
20 Cash Balance Benefit Program and all service with the ~~participants'~~
21 *participant's* last employer or employers that is creditable service
22 under the Defined Benefit Program shall terminate prior to
23 application for a termination benefit under this part.

24 (b) All employers with which the participant is employed to
25 perform creditable service subject to coverage by the plan shall
26 certify on a form prescribed by the system that the participant's
27 employment has been terminated unless the employment was
28 terminated 12 months or more prior to the date the member signed
29 the termination application.

30 ~~SEC. 70.~~

31 *SEC. 75.* Section 33050 of the Education Code is amended to
32 read:

33 33050. (a) The governing board of a school district or a county
34 board of education, on a districtwide or countywide basis or on
35 behalf of one or more of its schools or programs, after a public
36 hearing on the matter, may request the State Board of Education
37 to waive all or part of any section of this code or any regulation
38 adopted by the State Board of Education that implements a
39 provision of this code that may be waived, except:

- 1 (1) Article 1 (commencing with Section 15700) and Article 2
- 2 (commencing with Section 15780) of Chapter 4 of Part 10.
- 3 (2) Chapter 6 (commencing with Section 16000) of Part 10.
- 4 (3) Chapter 12 (commencing with Section 17000), Chapter 12.5
- 5 (commencing with Section 17070.10), and Chapter 14
- 6 (commencing with Section 17085) of Part 10.
- 7 (4) Part 13 (commencing with Section 22000), Part 13.5
- 8 (commencing with Section 25900), and Part 14 (commencing with
- 9 Section 26000).
- 10 (5) Section 35735.1.
- 11 (6) Paragraph (8) of subdivision (a) of Section 37220.
- 12 (7) The following provisions of Part 10.5 (commencing with
- 13 Section 17211):
- 14 (A) Chapter 1 (commencing with Section 17211).
- 15 (B) Article 1 (commencing with Section 17251) to Article 6
- 16 (commencing with Section 17365), inclusive, of Chapter 3.
- 17 (C) Sections 17416 to 17429, inclusive; Sections 17459 and
- 18 17462 and subdivision (a) of Section 17464; and Sections 17582
- 19 to 17592, inclusive.
- 20 (8) The following provisions of Part 24 (commencing with
- 21 Section 41000):
- 22 (A) Sections 41000 to 41360, inclusive.
- 23 (B) Sections 41420 to 41423, inclusive.
- 24 (C) Sections 41600 to 41866, inclusive.
- 25 (D) Sections 41920 to 42911, inclusive.
- 26 (9) Sections 44504 and 44505.
- 27 (10) Article 3 (commencing with Section 44930) of Chapter 4
- 28 of Part 25 and regulations in Title 5 of the California Code of
- 29 Regulations adopted pursuant to Article 3 (commencing with
- 30 Section 44930) of Chapter 4 of Part 25.
- 31 (11) Part 26 (commencing with Section 46000).
- 32 (12) Chapter 6 (commencing with Section 48900) and Chapter
- 33 6.5 (commencing with Section 49060) of Part 27.
- 34 (13) Section 51513.
- 35 (14) Chapter 6.10 (commencing with Section 52120) of Part
- 36 28, relating to class size reduction.
- 37 (15) Section 52163.
- 38 (16) The identification and assessment criteria relating to any
- 39 categorical aid program, including Sections 52164.1 and 52164.6.
- 40 (17) Sections 52165, 52166, and 52178.

1 (18) Article 3 (commencing with Section 52850) of Chapter 12
2 of Part 28.

3 (19) Section 56364.1, except that this restriction shall not
4 prohibit the State Board of Education from approving any waiver
5 of Section 56364 or ~~Section 56364.2~~, as applicable, relating to full
6 inclusion.

7 (20) Article 4 (commencing with Section 60640) of Chapter 5
8 of Part 33, relating to the STAR Program, and any other provisions
9 of Chapter 5 (commencing with Section 60600) of Part 33 that
10 establish requirements for the STAR Program.

11 (b) Any waiver of provisions related to the programs identified
12 in Section 52851 shall be granted only pursuant to Article 3
13 (commencing with Section 52850) of Chapter 12 of Part 28.

14 (c) The waiver of an advisory committee required by law shall
15 be granted only pursuant to Article 4 (commencing with Section
16 52870) of Chapter 12 of Part 28.

17 (d) Any request for a waiver submitted by the governing board
18 of a school district or a county board of education pursuant to
19 subdivision (a) shall include a written statement as to both of the
20 following:

21 (1) Whether the exclusive representative of employees, if any,
22 as provided in Chapter 10.7 (commencing with Section 3540) of
23 Division 4 of Title 1 of the Government Code, participated in the
24 development of the waiver.

25 (2) The exclusive representative's position regarding the waiver.

26 (e) Any request for a waiver submitted pursuant to subdivision
27 (a) relating to a regional occupational center or program established
28 pursuant to Article 1 (commencing with Section 52300) of Chapter
29 9 of Part 28, that is operated by a joint powers entity established
30 pursuant to Chapter 5 (commencing with Section 6500) of Division
31 7 of Title 1 of the Government Code, shall be submitted as a joint
32 waiver request for each participating school district and shall meet
33 both of the following conditions:

34 (1) Each joint waiver request shall comply with all of the
35 requirements of this article.

36 (2) The submission of a joint waiver request shall be approved
37 by a unanimous vote of the governing board of the joint powers
38 agency.

39 (f) The governing board of any school district requesting a
40 waiver under this section of any provision of Article 5

(commencing with Section 39390) of Chapter 3 of Part 23 shall provide written notice of any public hearing it conducted pursuant to subdivision (a), at least 30 days prior to the hearing, to each public agency identified under Section 39394.

~~SEC. 71.~~

SEC. 76. Section 1 of Chapter 559 of the Statutes of 2013 is amended to read:

Section 1. The Legislature finds and declares that this act, as it applies to the State Teachers' Retirement Plan, clarifies the California Public Employees' Pension Reform Act of 2013, is declaratory of existing law, and is intended to apply concurrently with the initial operation of that act. The amendments made by this act, excluding those amendments made in Sections 4, 12, 28, 29, 30, and 36, shall be deemed to be operative January 1, 2013, unless otherwise stated.

~~SEC. 72.~~

SEC. 77. Any section of any other act enacted by the Legislature during the 2014 calendar year that takes effect on or before January 1, 2015, and that amends, amends and renumbers, adds, repeals and adds, or repeals a section that is amended, amended and renumbered, added, repealed and added, or repealed by this act, shall prevail over this act, whether that act is enacted prior to or subsequent to the enactment of this act. The repeal, or repeal and addition, of any article, chapter, part, title, or division of any code by this act shall not become operative if any section of any other act that is enacted by the Legislature during the 2014 calendar year and takes effect on or before January 1, 2015, amends, amends and renumbers, adds, repeals and adds, or repeals any section contained in that article, chapter, part, title, or division.